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Foreign Affairs is published five times annually
by the Council on Foreign Relations, Inc.
Vol. 64, No. 3 © 1986

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Foreign Affairs is published five times annually by the Council on Foreign Relations, Inc. Editorial Offices: 58 East 68th Street, New York, N.Y. 10021. Telephone (212) 734-0400. Telex: 239852 CFR UR.

Manuscript submissions: The Editors will consider all manuscripts received, but assume no responsibility regarding them. Materials submitted will be returned only when accompanied by appropriate postage.

Subscriptions: Price for U.S. subscriptions, $25.00 per year; foreign, $32.00. Rates for air mail delivery are available upon request. To subscribe, write *Foreign Affairs*, P.O. Box 2615, Boulder, CO 80322, or call (212) 734-0400. For subscription problems, call (800) 525-0643.

Advertising: For rates and schedules, contact the Advertising Office (212) 734-0400. *Foreign Affairs* is a member of the Audit Bureau of Circulations and the Magazine Publishers Association.

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Michael Mandelbaum

THE LUCK OF THE PRESIDENT

Asked what kind of generals he preferred to have leading his armies, Napoleon is said to have replied "lucky ones." Ronald Reagan has been a lucky president, especially in relations with the rest of the world.

During the five years of his stewardship American foreign policy has been largely successful. One test of success for any sovereign state is the level of its power and prestige, its general standing in the international community. America's standing has improved since 1981. Another important measure of success is the avoidance of war; this, too, Mr. Reagan has managed. The interest of a great power committed to the international status quo, like the United States, is served by averting geopolitical setbacks. On this score as well, Mr. Reagan's record is a good one. There has been no Vietnam or Iran during the past five years. By these standards, the President has conducted what is perhaps the most successful American foreign policy of the last 25 years.

The success that the United States has enjoyed since 1981 has been due in large part to circumstances having little direct connection with the efforts of the Reagan Administration. It has been the result of forces and trends outside the control of the United States and of measures undertaken by others and occasionally even opposed by Mr. Reagan. He owes his success abroad at least as much to good fortune as to good policies.

II

America's chief adversary has been disadvantaged in its leadership for most of Mr. Reagan's term of office. Until Mikhail Gorbachev's assumption of power in March 1985, the leaders of the Soviet Union were in poor health and unable to exercise decisive leadership for all but a few months of Mr. Reagan's presidency. At the same time, the Soviet Union has been in the grip of a severe economic downturn, limiting to

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some degree its taste for contesting American interests abroad. The first half of the 1980s also turned out to be a time of significant resistance at the extremities of the Soviet empire. Soviet imperial reach extended to places where the tanks of the Soviet army were of little use in imposing order. In Afghanistan, Southeast Asia and southern Africa, Soviet clients and even Soviet troops came under fire. These outbreaks of resistance handicapped the Soviet Union in its rivalry with the United States—and they arose independently of American policies.

In the ongoing nuclear competition with the Soviets, the Reagan Administration benefited from the work of others. The previous administration had negotiated a series of limits on offensive weapons that were encoded in the second Strategic Arms Limitations Talks (SALT II) treaty. As presidential candidate and as President, Mr. Reagan opposed the treaty. The Senate has not ratified it. But early in 1981, the Reagan Administration declared that it would abide by the relevant limitations of the SALT II treaty as long as the Soviet Union did so.[1] Without these restrictions the Soviet Union might have fielded many more weapons than it has since 1981. If it had done so the United States would have had to decide how to respond. The decision would not have been an easy one: matching the Soviets would have been difficult and expensive; doing nothing would have been controversial. SALT II has spared the President having to make such a decision.

SALT II has conditioned the Reagan Administration's conduct of arms control negotiations as well. The two sides have not come close to reaching agreement on a new treaty, but there has been little urgency to do so because the SALT II restraints have remained safely in place. The United States and the Soviet Union could each afford to make proposals unlikely to meet with the other's approval, secure in the knowledge that neither party's position would deteriorate in the absence of a new accord. Mr. Reagan has enjoyed both the benefits of limits negotiated by others and the luxury of criticizing these limits for not being sweeping enough.

The foreign policies of recent administrations have encountered greatest difficulty in the Middle East. It is the most

[1] On June 10, 1985, the White House announced that the President had decided to dismantle a Poseidon submarine in order to remain in compliance with the provisions of the treaty.

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treacherous part of the world, one that is politically unstable and where, unlike other equally volatile regions, the two great powers both have important interests. The 1973 Middle East war began the undoing of the relationship that President Nixon was trying to forge with the Soviet Union. The Iranian revolution left a blight on Mr. Carter's presidency. Here, too, Mr. Reagan has enjoyed great good fortune.

The war between Iraq and Iran continued throughout the first five years of Mr. Reagan's term in office. If either country had overcome the other it would have dominated the region and threatened the neighboring oil states that are important to the West. Indeed, if there had been no war at all, both would have been free to seek influence at the expense of the United States. But the bloody stalemate along the Iran-Iraq border continued through 1985. This state of affairs nicely, if perversely, served American interests.[2]

The Iran-Iraq war reduced the oil available from both countries. In the 1970s this would have harmed the Western economies. The oil shocks of 1973–74 and 1979 had their origins in a drop in production in the Middle East; in each case this led to a sharp rise in price that caused enormous economic damage in the rest of the world and gave the oil-producing countries potential influence over Western policies. At the end of the 1970s it seemed that the price of oil was destined to rise steadily and that the members of OPEC would acquire an ever-tighter grip on the foreign policy of the United States.[3]

Neither development occurred. Mr. Reagan had the good luck to enter office at a moment when the world oil market was undergoing a historic shift: for the first time in the postwar period, overall oil consumption decreased. Production outside the OPEC countries increased. OPEC's share of oil consumption in the West dropped sharply and the worldwide price of oil fell. These trends shielded the United States and its allies from economic damage and political blackmail.

[2] The opposite outcome worked to American advantage in the Falklands conflict of 1982. Then it was two countries allied with, rather than hostile to, the United States that went to war. For the Administration to side with either would alienate the other; to stand aloof would antagonize both. The American interest, therefore, lay in the shortest possible war and, indeed, the British did win quickly. America's good fortune continued when the Argentine regime, which would undoubtedly have remained bitter against the United States for supporting Britain, fell from power and was replaced by a democratic government with no responsibility for the war.

[3] "There is no doubt that the Saudis have the capacity to wield the oil weapon with cruel effect—and selectively." George W. Ball, "Reflections on a Heavy Year," *Foreign Affairs*, America and the World 1980, p. 492.

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This happy outcome was the result not so much of national policies as of the impersonal operation of market forces. When the price of something rises consumers use less and producers provide more: the combination of reduced demand and increased supply lowers the price. So it was with oil during the first half of the 1980s, to the great benefit of the United States.

The chronic problem for American policy in the Middle East has been the Arab-Israeli conflict. It was the 1973 war that led to the first oil shock and briefly threatened to draw the United States and the Soviet Union into a military confrontation with each other as well. The Reagan Administration did not have to contend with the prospect of another major round of that conflict, again thanks to the work of others. The efforts of the three previous administrations helped to produce the Camp David peace accords between Israel and Egypt, the largest and most important Arab country. As long as that treaty holds, Egypt will not take part in a war against Israel. Without Egypt, other Arab states are not likely to go to war. Without the threat of war, American policy in the Middle East since 1979 has enjoyed an unfamiliar and welcome margin of safety.

During its first term, the Reagan Administration conducted an active Middle East policy, sponsoring two major initiatives. In September 1982, the President proposed the "Reagan Plan," calling for Palestinian self-rule on the West Bank of the Jordan River in association with the kingdom of Jordan. It also committed troops and diplomatic capital to an effort to reconstruct a peaceful, united Lebanon favorably disposed to the West. Both initiatives failed decisively. Jordan and Israel rejected the Reagan Plan. American forces were withdrawn from Lebanon, the country remained in a state of ongoing civil war, and it is Syria, not the United States, that has emerged as the most influential foreign presence there. Neither failure had a drastic effect on American interests in the region, however, which were protected by the changes in the oil market and by the Camp David accords.

In historical perspective, the most momentous international event of the Reagan years may turn out to be the dramatic passage of the People's Republic of China from a planned, centralized economic system toward an economy operated according to market principles. The sweeping changes that China inaugurated at the end of the 1970s constitute a cultural and political, as well as an economic, revolution. They were endorsed in an official economic blueprint unveiled in Beijing

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in September of 1985. They had nothing to do with American foreign policies; they were undertaken by the Chinese for their own reasons. Their ultimate consequences cannot be known and may not even be favorable for the United States. Nonetheless, in the short term they have an unmistakable symbolic significance that favors the West. They show that the world's oldest and most populous nation has decided that its interests are served by becoming more like the United States and less like the Soviet Union.

The essence of luck is good timing. Mr. Reagan has been in the right place at the right time. He has profited from political capital accumulated by others. He has drawn particular benefit from the labors of his immediate predecessor. It was Mr. Carter, after all, whose administration negotiated the SALT II treaty and the Camp David accords.[4] It was he who took the politically difficult decision to begin the decontrol of U.S. energy prices, which reinforced the trends in international markets that have proved so favorable to the United States. It was he who started what became a substantial increase in defense spending and who began to send assistance to the Afghan resistance in 1980. History will be grateful to Mr. Carter, although his contemporaries were not.

Luck, both good and bad, is an underappreciated element in public affairs. Those who enjoy good fortune naturally impute their success to their own talents. Those who are unlucky risk sounding churlish and sour if they invoke fate to account for their failures. Modern historians and commentators without partisan interests usually resist using luck as an analytical category for fear of seeming frivolous. It was not always so. Machiavelli, as clear-eyed an analyst of politics as ever addressed the subject, placed great emphasis on the role of fortune in shaping human affairs. But even he did not consider it all important.[5] "Luck is the residue of design," said an authority in a very different field, Branch Rickey, the baseball executive who was assembling winning teams in St. Louis at about the time that young "Dutch" Reagan was broadcasting the games of his archrivals, the Chicago Cubs.

[4] To these might be added the Panama Canal Treaties, but for which, it could be argued, the canal might have become the focal point of Central American hostility to the United States, the inspiration for large demonstrations, and even the object of sabotage or direct military assault.

[5] "I think it may be true that fortune is the rule of half our actions. . . ." *The Prince*, Chapter XXV.

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Napoleon, although impressed with the role of forces beyond human control in warfare, also observed that God is almost invariably on the side with the bigger battalions. The Reagan foreign policy owes its success to good luck, but not to good luck alone.

III

At the very least, the favorable trends in international politics vindicate the President's view of the world. If the Soviet Union's economy has faltered, if its efforts to spread its influence have provoked resistance, this bears out Mr. Reagan's understanding of the direction in which history is moving.[6] If energy supplies are safer and cheaper, thanks to the magic of the market, and if China has discovered the value of free enterprise, few figures in American public life in the last half century have been as devoted to the virtues of the laws of supply and demand as the President. This has been one of the principal themes of his public career. Whatever his responsibility for them, the favorable developments of the last five years can have come as no surprise to Mr. Reagan. But even this gives him too little credit for the success of American foreign policy since he took office.

It was once put to the great physicist Ernest Rutherford that he had been fortunate to "ride the wave" of discoveries in his field in the early part of the century. "But I made the wave, didn't I?" he replied. Mr. Reagan did not make the wave himself; the tides of history, like those in the natural world, cannot be summoned by politicians. But he has helped the wave along. His Administration has provided assistance to rebels against Soviet clients in the Third World. It has presided over most of the increase in defense spending of the last six years. It has carried through the process of decontrolling energy prices that the Carter Administration began.

Not least important for the promotion of the nation's purposes abroad, the Reagan Administration has demonstrated, in limited but significant ways, that it is willing to send American armed forces into action as part of its foreign policy. The shooting down of two Libyan jets in 1981, the eviction of a government friendly to Cuba from the tiny Caribbean island

[6] "I firmly believe (that) the tide of history is moving away from Communism and into the warm sunlight of human freedom." Quoted in Madeleine G. Kalb, "Where Consensus Ends," *The New York Times Magazine*, Oct. 27, 1985, p. 104.

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of Grenada in 1983, the launching of an air attack on Syrian positions in Lebanon in the same year, and the capture of the hijackers of the Italian liner *Achille Lauro* in 1985 were all minor military operations.[7] Collectively, however, they helped to create the impression of a President prepared to use force in support of American interests. Although it cannot be proven, it is not unreasonable to suppose that this impression has entered the calculations of others from time to time over the last five years, to the advantage of the United States.

Each of Mr. Reagan's contributions to the favorable tides in international affairs has been a measured one; this is another way in which he himself has had some responsibility for America's success abroad since 1981. His policies have been informed by a sense of proportion, of limits, of how far they could be pressed without taxing the prudence of other countries and exhausting the goodwill of the American public. This sense of limits was on vivid display on those occasions when Mr. Reagan changed course or retreated from positions previously staked out, in order to adjust to international realities or to the shape of public opinion at home, or both.

For all his hostility to the Soviet Union (and his Administration's reservations about summit conferences), he arranged the Geneva meeting with Mr. Gorbachev in November 1985. In 1982 Mr. Reagan imposed sanctions on European companies participating in the Siberian gas pipeline under American license. The European governments protested and he removed the sanctions. In the first year of the Administration, Secretary of State Alexander Haig suggested that the way to set things right in Central America was to "go to the source" of the trouble, that is, to Cuba. The Administration has, of course, done no such thing.

Mr. Reagan entered office with a long-held affection for Taiwan. This did not sit well with Beijing, which made restrictions on arms sales to the island a test of the Sino-American relationship that three administrations had worked to create. Mr. Reagan chose a policy that the People's Republic could tolerate. Despite principled opposition to government interference in economic affairs, the Administration has acted to help prevent Third World countries from defaulting on their loans

[7] Mr. Reagan also sent a contingent of American marines to Lebanon in 1982. Their mission, however, was to help keep the peace, and so was not, strictly speaking, a military operation.

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and to bring down the international value of the dollar. Most recently, after declaring his opposition to the idea several times, Mr. Reagan reversed himself in September 1985, under pressure from the Congress, and imposed limited economic sanctions on South Africa as a mark of American disapproval of the continuing system of apartheid.

The President has demonstrated an unerring sense of just how far to go. This is an invaluable, indeed an essential, political skill. A leader in a democracy must present himself as a person of firm principles. He or she must, however, compromise those principles in order to govern. A leader without any guiding precepts is spineless and aimless; one who will never bend them is a fanatic. The successful statesman is the one who can navigate between the two extremes, earning a reputation for being principled but not bullheaded. Mr. Reagan has that reputation.[8] His predecessor did not. That difference is not just a matter of luck.

IV

The mixture of good luck and adept statecraft that has characterized the Reagan foreign policy was in evidence in one of the most dramatic episodes of 1985, the hijacking of an American commercial airliner to Beirut and the holding hostage of a number of its passengers for 17 days in the second half of June. After leaving Athens the plane was seized by two members of a shadowy group of Lebanese Shia Muslims. They ordered it flown to Beirut, then to Algiers, then back to Beirut. Early on they murdered an American navy diver who was traveling on the flight. The majority of the passengers and crew were released, but 40 were held captive. Most of them were taken off the aircraft and moved to hiding places around Beirut. The largest Lebanese Shia organization, Amal, took control of the plane and of most of the American prisoners. Its leader, Nabih Berri, became the focal point of efforts to release the hostages. He gave a number of interviews on American television. The hostages also made several appearances. Finally, they were taken across the Syrian border to Damascus and flown home.

The outcome of the hijacking was an undoubted success for

[8] "For all his compromises, he still manages to look like a man of unbending principle." Leslie H. Gelb, "The Mind of the President," *The New York Times Magazine*, Oct. 6, 1985, p. 21.

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the Reagan Administration. The Americans were released in a reasonable period of time without any obvious concessions being made to their captors by the United States or indeed by Israel, which was the object of their original demands.[9]

The Beirut hijacking was an instance of the President's luck. While it has some claim to being the worst crisis of the first five years of his Administration, by the standards of the past 25 years it was scarcely a crisis at all. The stakes were not remotely as high as they had been in Berlin in 1961, or in the Caribbean during the Cuban missile crisis of 1962, or in the Middle East in 1973. Nor were they as high as they had been when American personnel were held hostage in Teheran. As in Lebanon, the American captives in Iran from 1979 to 1981 became caught up in an internal struggle for power. But the Iranian struggle was consequential for American interests. Iran has both oil and a strategic location, bordering on the Persian Gulf and the Soviet Union; it is important for the United States. Lebanon is not.

Even so, the hijacking could have damaged the Administration had it dragged on as the Iranian affair did, paralyzing the highest levels of the American government. Mr. Reagan tried to keep his distance from the events as they unfolded. He could not have stood apart indefinitely, but he did not have to. In contrast with the episode in Teheran, the parties in control of events in Beirut—the leadership of Amal, the government of Syria, and perhaps also Syria's patron, the Soviet Union—found it in their respective interests to end the affair promptly rather than to prolong it. The factions in control of the American hostages in Teheran apparently came to the opposite conclusion.

The release of the Americans in Beirut was probably not, however, merely a matter of luck. Amal, Syria and perhaps the Soviets may well have reckoned that the Administration's patience might at some point wear thin, that it would be moved to take military action, and that this would make life more difficult for all of them. Mr. Reagan had, after all, sent marines once to Lebanon. Those in control of the hostages certainly did not want American troops to return. They obviously de-

[9] They demanded that 766 men taken prisoner in southern Lebanon and held in Israel be released. The Israeli government had previously announced that it would release them gradually. Some were let go while the Americans were being held. The rest were sent home afterward.

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cided that whatever benefit they drew from holding the hostages would be outweighed by the costs of confronting an angry American President. It is possible that their deliberations were shadowed by the fear that the United States would not be restrained indefinitely. If such a concern did hover at the back of their minds, it was Ronald Reagan who, by his deeds, helped to put it there.

Another of Mr. Reagan's skills was in evidence in the hijacking episode: his sense of just how far to go in doing what he has said he is willing to do. Before June 1985 he had said, more than once, that he would act forcefully against terrorists. He entered office promising "swift and effective retribution." He and his secretary of state repeated the pledge on several occasions afterward. In response to the Beirut hijacking, as to the bombing of the American embassy and the destruction of the marine barracks in Lebanon in 1982, the American government did nothing.

The Administration might have done what Israel has long made it national policy to do in response to terrorism: it could have punished, if not the terrorists themselves, then those in a position to control them. It could have attacked selected targets in Lebanon or Syria or even Iran. It could thereby have put pressure on the governments involved or, in the case of Lebanon, the military and political organizations, to police their own territory. Swift and effective retribution is a way of holding people in authority responsible for activities that originate where their writ runs.

Such a response would have been costly. If it had been undertaken while the hostages were still being held, it would no doubt have forfeited their lives. If reprisal raids had been conducted after their release, people having no connection with terrorism probably would have been killed. American reprisals would likely have set off a renewed cycle of violence as those injured sought to retaliate against the United States. The American government would then have had to be ready to respond once more. To carry out a strategy of swift and effective retribution requires following the cycle to its end, no matter how much blood is shed along the way. The capture of the four hijackers of the *Achille Lauro* was the exception that proved the rule. The perpetrators themselves were caught. No harm came to anybody else. The hijackers will be brought to trial in a Western judicial system. These circumstances had not

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been present in previous episodes of terror and are not likely to recur often.

The attacks in the Rome and Vienna airports over the Christmas season that killed several Americans raised anew the question of how to respond to terrorism. The Administration publicly charged Libya with assisting those responsible, and once again hinted at some kind of retaliation. In response to the Beirut hijacking, however, the Reagan Administration chose not to retaliate. Despite the outcry in the United States, this decision was in keeping with the basic sentiments of the American public. This is not because Americans' moral scruples are more refined than those of Israelis. The American people were willing to have their armed forces kill thousands of civilians in military operations undertaken in Germany and Japan in 1944 and 1945. For the United States then and for Israel now, however, the stakes were supremely high. The operations in each case were undertaken in response to what were seen as mortal threats.

Americans do not see terrorism that way. In the public mind it has something like the same status as crime in the United States. It provokes outrage. It is reprehensible. It is taken as a sign of the decline in civic standards, and precautions to prevent it are regarded as necessary. More serious measures, however, are not considered to be in order. Three centuries ago thieves were hanged in Europe. No one suggests that this practice be resumed or that civil liberties be suspended and the nation turned into a police state to stop crime. Similarly, there is no real consensus in favor of serious military reprisals against the agents and sponsors of terrorism that will kill others as well. No doubt this makes the United States a more attractive target than countries that are less reticent about shedding blood. It is perhaps the price to be paid for living in a nation whose citizens do not like to kill innocent people.

In 1985 enduring terrorism abroad was, for the United States, like suffering crime at home. It was the cost of being a liberal great power, just as putting up with a certain crime rate is the by-product of maintaining an open society.

The President might not put it in quite that way, but he plainly understood the country's feelings on the matter and acted in deference to them. His well-developed sense of the public's wishes has also contributed to his success. No one can have a successful foreign policy without the opportunity to

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conduct it, which in the United States requires the authorization of the electorate. Mr. Reagan has received it twice.

V

President Reagan has not been as popular in the rest of the world as at home. He has been particularly unpopular in the Soviet Union. A campaign of personal vilification of Mr. Reagan in the Soviet press reached a crescendo with a series of pointed comparisons to Hitler. Still, the Soviet leaders' disenchantment with him did not keep them away from the November summit meeting, which was held despite the lack of any serious business to transact or ratify.

There is a point beyond which United States relations with the Soviet Union cannot be allowed to deteriorate. The first duty of any American President is to keep the ongoing rivalry between the two great powers from sliding into nuclear disaster. But the success of a leader's foreign policy cannot fairly be judged by the extent to which he is warmly regarded by those whose designs it is a central object of that policy to resist. If the low esteem in which Mr. Reagan was held in Moscow for most of his term was not necessarily a badge of honor, it was not exactly a mark of disgrace either.

The President has also been unpopular in friendlier capitals. The West Europeans, while not of one mind in this as in other matters, did not, on the whole, think well of him during his first five years in office. The American President, after all, has the ultimate say over Europe's destiny, but Europeans have no constitutional voice in his policies. Their nervousness deriving from this fact takes two particular forms, which are inherent in all alliances but are especially pronounced in NATO. They fear that the alliance will not work and that they will be abandoned by the United States in their hour of need, and they fear that it will work too well and they will be entrapped in a conflict they wish to avoid.[10]

The issue that preoccupied the Atlantic alliance for much of Mr. Reagan's first term, the stationing of American-controlled intermediate-range nuclear missiles in Europe, illustrates both concerns. The plan for deploying them had its origins in the European fear during the 1970s that the growing Soviet ad-

[10] The concepts of abandonment and entrapment, as used here, are considered at length in Michael Mandelbaum, *The Nuclear Revolution: International Politics before and after Hiroshima*. New York: Cambridge University Press, 1981, pp. 147–75.

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vantage in this category of weaponry would "decouple" the United States from the continent, weaken the deterrent power of American forces, and raise the chances that the United States would abandon its allies in a crisis. The sharp Soviet denunciation of the plan aroused the Europeans' other fear: a superpower confrontation involving them. The Europeans were unhappy at risking the improved relations with the Eastern bloc that they had nurtured. First they wanted the missiles to avoid being abandoned; then they did not want them for fear of being entrapped in a new cold war.[11] These fears did not begin with the Reagan presidency. They are perennial, arising from the basic structure of the alliance.

Not all the President's difficulties with the allies, however, are reruns of NATO's chronic internal disputes. He has had to contend with a widening divergence of views on the most important issue of all, the question of the proper policies toward the Soviet Union. For West Europeans, especially the Germans, the détente of the 1970s is the ideal. Trade between East and West expanded then; human contacts across the political and military divisions of the continent multiplied. Relations with the Soviets were cordial, in comparison with the first quarter century after 1945. The United States' European allies would like to keep them cordial.

For the United States the period of détente was also the time when the Soviet Union steadily expanded its military forces, repressed efforts at liberalization within its domain and energetically extended its influence in places such as Southeast Asia and Afghanistan. A firmer policy toward the Soviets than the Europeans wanted has therefore seemed necessary to Americans.

The difference in outlook between the two wings of the Atlantic alliance goes deeper than the personalities of the national leaders at any particular moment. It stems from different interests that are based on differing national roles and, *ultimately, on the critical difference in geography.* The Euro-

[11] A telling example of the complementary fears of abandonment and entrapment can be seen in the American government's deliberations during the Cuban missile crisis of 1962, as reported by Theodore Sorensen. Asked what the European reaction would be to alternative responses to the emplacement of the missiles, Secretary of State Dean Rusk replied that if the United States did nothing the allies would be unhappy on the grounds that, if the senior partner in the alliance would not act firmly so close to home, it could not be depended on to defend people thousands of miles away; and that, if the American response was a firm one, the Europeans would be unhappy at the prospect of being dragged into war over an issue that had nothing to do with them. *Kennedy*, New York: Harper & Row, 1965, pp. 681–82.

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peans are unavoidably concerned, above all, with what happens in Europe. The last decade and a half has been a peaceful period there. They want it to continue. The United States concerns itself not only with Europe but also the rest of the world, which has been less peaceful. The Soviets have been pushing outward. Americans have been disposed to resist them.

These differences are likely to be a continuing source of friction within NATO. The task of the American President is not to avoid contention—that is not possible—but to manage it so as to limit the damage to the alliance. From this perspective the Reagan record is not at all bad.

European discomfort with the President, however, goes beyond the political differences that preceded and will outlast his presidency. It has, as well, a personal basis. He appears to Europeans to be ill equipped for the responsibility that he bears, a kind of cowboy figure, bellicose, ignorant, with a simplistic view of the world pieced together from journals of right-wing opinion and old Hollywood movies.[12]

By the standards of the postwar presidencies, Mr. Reagan's has not been bellicose. He has, however, regularly appeared to be ill informed about things he ought to know. In 1985 he defended his decision to visit a German military cemetery at Bitburg, where members of the notorious SS were buried, with the explanation that these men were as much victims of the war as those who had perished in the death camps. He also expressed the view that segregation in South Africa had been eliminated. These misstatements were at best dismaying. Perhaps more alarming was the evidence that, at least during his first term, the President's grasp of the main principles of nuclear strategy and arms control was shaky.[13]

As for his picture of the world, it is evidently simple, but it is not patently wrong. The President attracted unfavorable comment in both Europe and the United States for calling the Soviet Union an "evil empire." This phrase may have been

[12] The European unhappiness was forcefully described in these pages two years ago by David Watt, "As A European Saw It," *Foreign Affairs*, America and the World 1983, pp. 521–32.

[13] The evidence is in Strobe Talbott, *Deadly Gambits: The Reagan Administration and the Stalemate in Arms Control*. New York: Alfred A. Knopf, 1984, pp. 132, 237, 250, 263, 273 and 274. During the first term, the Administration was deeply divided on the positions to adopt in the negotiations with the Soviet Union. To get an agreement, Mr. Reagan would have to choose among the competing preferences of the relevant agencies of government—the State and Defense Departments, the Joint Chiefs of Staff and the Arms Control and Disarmament Agency. To do that, he would have had to know the issues in some detail.

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impolitic; it was surely not inaccurate. The Bolshevik holdings in Europe and central Asia are as much an empire as were those of the Romanovs, the Hapsburgs and the Ottoman Turks before them. If the Soviet Union and its satellites do not constitute an empire, the term has no meaning. And while the use of the word "evil" to describe it is perhaps debatable, were the Poles, Czechs, Lithuanians, Armenians and others who live involuntarily within its boundaries asked to select a more appropriate term it is unlikely that they would choose to call it "benign." Mr. Reagan's view of the world is like a caricature. It is a picture that is neither rich nor detailed, that emphasizes a few salient features, but that is nonetheless a universally recognizable version of the original.

His elementary sense of the rest of the world and ignorance in important areas are not the fatal handicaps for the President that they would be for European leaders. His job is different from theirs. It is not to defend a detailed program of legislation in give-and-take with the political opposition from the commanding heights of a clear parliamentary majority. It is rather to muster ad hoc coalitions on behalf of a few major issues in a political system where power is constitutionally divided and has been further fragmented by the decline in importance of the two major political parties. The American President must arouse popular enthusiasm for his program in order to get his way. This requires not mastery of legislative detail but the capacity to make broad themes compelling to a mass audience. Presidential power, in Richard Neustadt's famous phrase, is the power to persuade.[14] It has become the power to command several hours of prime-time television each year to try to persuade the American public of the wisdom of a few selected initiatives. At this Mr. Reagan is adept. His simple, clear approach to complex matters is essential to his success.

VI

The success of the Reagan foreign policy is provisional, as success in public affairs always is. Policies have consequences—often unforeseen and unwanted—long after their creators have departed. Even when the consequences are fully apparent they are not easy to judge. Then it is the judgment of history that matters, and those who write it are seldom of one mind. Was

[14] *Presidential Power*. New York: John Wiley & Sons, 1960, chapter three.

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Woodrow Wilson a thwarted, unappreciated visionary or a naïve bumbler? Even now there is no consensus. Still, the success of the Reagan foreign policy is unusually provisional; it rests less on the President's having mastered great challenges to American interests than on his having been spared any such tests.

Challenges can appear suddenly, however, sometimes in the form of an unwelcome change of government somewhere in the world. Discontent and unrest gather force over many years, revolution erupts, people hostile to the United States take power. Whoever is President at the time must cope with them. Mr. Kennedy was not responsible for Fidel Castro's victory in Cuba but he became preoccupied with its consequences. Mr. Carter did not create the conditions in which the Ayatollah Khomeini came to power in Iran but found himself entangled in a painful and protracted conflict with the new Iranian regime. Other countries might follow the same course during the balance of Mr. Reagan's term. The Philippines and South Africa are, perhaps, the leading candidates.

Mr. Reagan and his associates, moreover, have not been content simply to serve as passive caretakers of the nation's relations with other countries. They have launched several major foreign policy initiatives. It is on the fate of these undertakings that the success of the Reagan foreign policy will ultimately depend. The outcome of the three most important of them—the Reagan Doctrine, the Strategic Defense Initiative, and the arms buildup—remain quite uncertain.

The Reagan Doctrine goes beyond the long-standing American policy of resisting the spread of Soviet influence; it advocates providing assistance to groups fighting governments that have aligned themselves with the Soviet Union. The Administration has continued the assistance to the Afghan resistance begun by President Carter. It has broached the idea of sending aid to non-communist groups fighting the Vietnamese occupiers of Kampuchea. In 1985 Congress repealed the Clark Amendment prohibiting military involvement of any kind in Angola, thus clearing the way for assistance to forces opposing the Luanda government and its contingent of Cuban troops.

The most significant instance of the Reagan Doctrine has been in Nicaragua, where the United States has supported a sizable insurgency against the Sandinista regime. The Nicaraguan "contras" have mounted a visible challenge to the government without bringing it close to collapse—but without

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appreciable cost to the United States either. The future of the insurgency, and of the American role in it, are not at all clear. What the President and his officials have said does not add up to an unambiguous statement of their goals. Is the Reagan Administration seeking to overthrow the regime, or simply to force it to permit greater political freedom? Is its aim to affect Nicaraguan foreign policy—to compel the Sandinistas to leave neighboring countries alone, or to cut their ties with Cuba, or with the Soviet Union, or some combination of these? How far is the Administration prepared to go in pursuit of whatever goals it sets? At some point these questions will have to be addressed.

When they are, the Reagan Administration, or its successor, will confront the risk of the two principal American failures in Vietnam: making a commitment that is more costly than the public will sustain, and permitting the defeat of forces with which the United States is closely identified.

Similar uncertainty surrounds the effort to make nuclear weapons "impotent and obsolete" through the development of defenses against ballistic missile attack. The best imaginable result of the Strategic Defense Initiative would, of course, be the creation of a perfect system of defense, a kind of leakproof dome that would cover the United States and friendly countries as well. This would be a strategic revolution as profound as the one that the creation of the atomic bomb itself represented. It would give the United States military superiority over the Soviet Union, which is the reason the Soviets have not been shy about letting it be known that they do not like the scheme.

While a perfect defense would be a great thing for the United States and the West, almost nobody believes that it can be achieved in the foreseeable future. Less-than-perfect defensive systems might still be worth having. They could protect not cities and people but rather American missile silos against a preemptive attack. This, however, would not put an end to the mutual hostage relationship between the two great nuclear powers, as the President wishes. It would in fact reinforce that relationship.

It is conceivable that the Soviet Union will ultimately wish to expand the very modest system of defense against missiles that it now has and that the Anti-Ballistic Missile Treaty of 1972 permits. If, for example, the spread of nuclear weapons proceeds more swiftly over the next two decades than it has in the past two, if the new nuclear nations make Soviet territory

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their target, and if the Soviets fear that their existing systems of defense against missiles and manned aircraft provide inadequate protection, it is possible that they will agree to allow American defensive systems in return for American acceptance of larger defenses of their own. That is not, however, their present attitude. Adamant opposition to the American strategic defense program was apparently the burden of Mr. Gorbachev's presentations at Geneva.

If the Soviets hold to this view, the Strategic Defense Initiative could in the end make Americans less rather than more secure. It might cause the Soviets to field many more nuclear weapons than they now have. Since defensive systems would be partly based in space, the immunity from attack that reconnaissance satellites have thus far enjoyed might end, to the great disadvantage of the West. The United States might be worse off having embarked on an effort to defend itself against missile attack than it would have been had it never tried to do so.

The most expensive foreign policy undertaking of the Reagan years has been the defense buildup. The defense budget has increased more since 1981 than in any comparable period in peacetime. The Reagan defense program has added to American strength in virtually every military category. But the completion of the program requires continuing high levels of appropriations. The passage of the Gramm-Rudman Bill to balance the federal budget by 1991 makes it highly unlikely that such sums will be available. Cuts in the program, perhaps drastic cuts, will then be necessary. There is no sign that the Administration has decided how to minimize damage to the nation's military standing.

It is distinctly possible that the character of the program, especially the distribution of funds already allocated, will produce a defense posture skewed in ways inadvisable on purely strategic grounds. The direction of American defense spending into the 1990s may well emphasize naval and air forces rather than the army; but it is the army, after all, that will have to meet the brunt of a Soviet attack in the center of Europe, where for a generation it has been considered most likely. Over the next decade, limits on available resources may yield a military establishment rich in powerful, complicated, expensive weapons but poor in spare parts for them, short of the funds to exercise and maintain these armaments, and, because of insufficient pay scales, without skilled personnel to operate

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them.[15] What Robert E. Osgood wrote in these pages four years ago about the sharp increase in defense spending remains true: "This tangible expression of national will might be the most important achievement of Reagan's defense policy, but in the long run it would be an empty achievement if increased expenditures were not translated into increased capabilities related to a coherent strategy."[16]

The amount of money the Congress will make available for defense in the years ahead will depend on the health of the American economy. That will turn on the fate of the President's macroeconomic policies and their consequences, especially the large deficit in the federal budget. There are two schools of thought on this subject. One holds that, as the requirements rise for public borrowing and for paying back with interest what has already been borrowed, the country will have to accept large tax increases and severe reductions in spending of the sort that the Reagan Administration has so far conspicuously avoided. The Gramm-Rudman Bill suggests that this point of view has carried the day in Congress.

The other school considers drastic measures unnecessary and counts on continued economic growth, coupled with appropriate monetary policies, to keep the gap between income and expenditures at a manageable size. This is not the place to rehearse the arguments on both sides, but it is worth noting a parallel between the President's economic and foreign policies. Each has brought appreciable benefits at little cost. The economist's axiom states that there is no such thing as a free lunch. Both at home and abroad this Administration thus far has come close to providing just that.[17]

The price of harassing the Soviet empire on its flanks, of aspiring to a revolutionary transformation of the strategic nuclear balance, and of building up American armed forces has been remarkably low by historical standards. What will happen if that price goes up? The question really has two parts. Will the cost of Reagan's major initatives rise appreciably during the next three years, forcing choices that the President

[15] On this subject the interested reader is referred to two valuable pamphlets by William W. Kaufmann, *The Defense Budget 1985* and *The Defense Budget 1986*, Washington: The Brookings Institution, 1984 and 1985 respectively; and to an article by Richard Stubbing, "The Defense Program: Buildup or Binge." *Foreign Affairs*, Spring 1985, pp. 848–72.

[16] Robert E. Osgood, "The Revitalization of Containment," *Foreign Affairs*, America and the World 1981, p. 478.

[17] A good discussion of this point is in Robert W. Tucker, "Toward a New Détente," *The New York Times Magazine*, Dec. 9, 1984, p. 90.

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has not yet had to make? If so, what will Mr. Reagan do? Will he press ahead to the point of either complete success or disaster? Or will he be disposed to compromise, cut his losses and accept less than what he has sought?

Will he be ready to strike a bargain with the Sandinistas, easing the pressure on them in exchange for concessions in their domestic and foreign policies that the United States desires? Will he agree to place limits on American programs of strategic defense in return for reduction in offensive weaponry on both sides, or, what is not necessarily the same thing, for a more stable balance of nuclear forces? Will he join with the Congress in adjusting the pace of the defense buildup in a way acceptable to both branches of government?

Mr. Reagan has compromised and retreated in the past. But his commitments to assuring American interests in Central America, to strategic defense and to large military investment are apparently powerful. Moreover, to change course too soon can be as costly as holding to it too long. If the Administration were to make concessions on Nicaragua, the Strategic Defense Initiative or the defense budget prematurely, it would forfeit leverage that persisting in the original policies could have brought. If political fortune, like the prices of stocks, bonds and commodities, is cyclical, the essence of statecraft is to sense when the market has reached a peak and act accordingly.

This requires both luck and political skill. Mr. Reagan has had a generous share of both for five years. The trend lines have gone up. Like most people, he has done well in a bull market. He has ridden the crest of the wave without slipping. That is the Reagan record of the last five years. What the record does not tell us is how he will fare if the tide goes out.

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Charles William Maynes

LOST OPPORTUNITIES

When the Reagan Administration first came into office, it seemed for a considerable period determined to repudiate totally policies that had dominated postwar U.S. foreign policy. Senior officials publicly compared the Soviet Union to Napoleonic France—or worse; they suggested that arms control negotiations should not be convened until Soviet behavior in the world's trouble spots improved—an unlikely prospect if the Administration's assessment of the nature of the Soviet regime was even partially correct. The Reagan Administration not only refused to ratify the SALT II treaty, with its limitations on future deployments, but also appeared ready to refuse to honor these restraints even informally. When arms talks did begin, the Administration waited months to develop its proposals, and then tabled suggestions so unbalanced that the only possible purpose could be to ensure that they would be nonnegotiable, as then Secretary of State Alexander Haig, Jr., subsequently pronounced some of them. The Administration veered so dangerously far from the policy toward the People's Republic of China laid down by three previous administrations that Mr. Haig warned of a new estrangement of Beijing.

Eventually, a combination of domestic pressures, alliance insistence and diplomatic realism compelled the Administration to pull back from these policy changes, which would have revolutionized America's postwar posture. In Administration rhetoric, the Soviet Union was transformed from an implacable aggressor into a difficult competitor with which America might nonetheless do business, albeit under closely controlled conditions. Arms control proposals were steadily altered to make them at least appear more negotiable. The Administration found that the national interest was served by honoring the provisions of SALT II (even if, for reasons never entirely clear, the treaty remained sufficiently flawed as to preclude U.S. ratification). In June 1985, the President surprised both critics and supporters by deciding that the United States would dismantle rather than dry-dock an aging Poseidon submarine in

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order to remain within the limits set by SALT II. And the President visited China in 1983, where he explained his new, favorable position toward the P.R.C. by proclaiming that its leadership was leading China back to capitalism.

These shifts and others have persuaded many that the Reagan Administration is essentially following in the footsteps of its predecessors, and that any differences with earlier administrations are matters more of "image" than of "substance."[1] This view is wrong.

The Reagan Administration has brought about major shifts in American foreign policy, smaller in each area perhaps than it promised, but cumulatively enough to set it apart from previous administrations in significant measure. In the process, it has measurably advanced American authority in the world, at least temporarily. But it has accomplished this by adopting a new international role for the United States—that of obstructor rather than facilitator. The Administration has practiced a form of negative diplomacy commonly associated with France under de Gaulle, who enhanced his nation's influence by saying no or refusing to cooperate. In today's closely knit world obstructionist tactics can be effective, at least in the short run. Whether they serve a nation's long-run interest is a more difficult question.

Certainly the Reagan Administration believes that its foreign policy represents a sharp departure from the past. Secretary of State George Shultz contended in the months leading up to the November 1985 Reagan-Gorbachev summit that as a result of the Reagan record, America is again "in a position to have a major influence over the direction of events." The "correlation of forces" is again shifting back in America's favor. In short, although outside analysts reviewing Reagan's record may find little change from earlier administrations, the people around the President disagree. They suggest that the Administration has been responsible for change so sweeping in its first term as to have put a vigilant and confident America back in history's saddle, ready to drive events throughout the world in directions favorable to America's interests.

Does the Reagan Administration's foreign policy record in fact represent a significant shift from the past? More important,

[1] See the three overview essays in *Foreign Affairs,* America and the World 1984, especially "From Carter to Reagan," by Coral Bell, pp. 490–510.

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to what degree do the changes it has brought about serve U.S. interests over both the short and the long run?

II

Even those who tend to minimize the changes for which the Reagan Administration is responsible acknowledge that there have been major shifts in two areas, namely, rhetoric and defense spending. However, they often then treat these areas as somehow irrelevant to the question of whether the Reagan foreign policy is significantly different from its predecessors.

In the Nixon Administration, Attorney General John Mitchell used to urge that he and his colleagues be judged not on what they said but on what they did, as though words had no impact on policy. The idea persists that American public figures can divorce their words from their deeds. In fact, however, such a divorce is difficult in politics and impossible in diplomacy, where precision in language has a special place and importance.

The immoderate words of the early Reagan Administration have had a profound effect on actual events and have damaged important U.S. foreign policy interests. In Europe, the casual manner in which some administration officials treated the prospect of a nuclear exchange with the Soviet Union drove discussions of nuclear strategy out of the think tanks and government offices and into the streets. No doubt previous treatment of this vital question had been held in too closed a circle, but street demonstrations are not the best way for a nation or an alliance to determine strategic choices.

Administration officials have tended to dismiss as insignificant the damage that was done to America's alliances. Secretary Shultz argues, for example, that "our key alliances are more united than ever before." But such official assessments derive too much comfort from recent electoral victories of conservative forces in Britain and in West Germany. In recent months the domestic positions of those alliance leaders most supportive of Reagan's America have shown signs of weakness. The president of France and the prime ministers of Britain and West Germany have all been in and out of political trouble. Were Britain's Labourites or Germany's Social Democrats to come to power, for the first time in the postwar period major governments in NATO might no longer share the U.S. approach to the role of nuclear weapons in the defense of the West. While few victors in any democratic country implement their cam-

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paign promises to the letter, they cannot ignore them altogether. It is inevitable that the change in public attitudes in Europe toward nuclear weapons will, over time, affect government policy.

Nor was the damage done by undisciplined rhetoric confined to alliance nations. In the Middle East, the Reagan Administration's initial, almost total rhetorical identification with a right-wing Israeli government probably encouraged Israel to believe it would enjoy American support during the disastrous Israeli invasion of Lebanon.[2] In southern Africa, its initial stance of seeming indifference to the plight of the black majority probably motivated right-wing elements within the South African government to undermine American efforts to reach a diplomatic solution to that region's problems.[3] In Asia, Vice President George Bush's public endorsement of the "democratic" record of the Marcos regime probably encouraged that regime to dig in its heels and resist pressure for reform, with the result that Filipino society now faces a major political crisis. In Central America, the Reagan Administration's early denunciation of the Carter human rights policy undoubtedly gave heart to the extreme right wing in that region and delayed efforts to arrive at a political settlement.

The consequences of these developments will trouble U.S. policymakers for years. Moreover, in various parts of the world, particularly in center-left groups, there is a mounting alienation from the United States—during 1985 this was especially evident in South Africa, the Middle East and the Philippines—that is certain to disadvantage U.S. diplomacy in succeeding administrations.

Ironically, the area of policy that seems to have been affected least is the area that many predicted would be affected most: U.S.-Soviet relations. The Reagan rhetoric condemning the Soviet Union as the "focus of evil" and consigning its current regime to the "ash heap of history" greatly angered the Soviet leadership, which, overlooking the calumny it often directs toward Washington, began to denounce the American government bitterly and to compare the contemporary international scene to the years leading up to World War II. But the margin for maneuver in U.S.-Soviet relations is so narrow that each

[2] Zeev Schiff, "Green Light, Lebanon," *Foreign Policy*, Spring 1983, pp. 73–85.

[3] Michael Clough, "Beyond Constructive Engagement," *Foreign Policy*, Winter 1985–86, pp. 3–24.

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capital struggles to prevent an emotional response to the other side's words from pushing policy too far from its established course.

Indeed, two powerful forces for continuity from administration to administration in U.S.-Soviet relations remain the enduring divergence between the national interests of the two superpowers on the one hand and, on the other, mounting domestic pressures—primarily political in the United States and primarily economic in the Soviet Union—for some form of accommodation, however limited. Together these two forces make it difficult for any administration to go too far, either in a policy of accommodation with the Soviet Union or in a policy of confrontation.

Yet, too much can be made—and was made by administration supporters—of the apparent stability in U.S.-Soviet relations during Reagan's first term. Even if the automatic stabilizers in the relationship are stronger than they have been in earlier great-power relationships, there is no guarantee that these stabilizers will always work or that, in a crisis, they will be sufficiently strong to ensure that emotion will not begin to overpower reason within the leadership circle of either side. History is replete with examples of governments embarking on a course recognized at the time as having a high risk of bringing on a regime's, a country's or even a whole people's ultimate ruin. Japan's plunge into World War II is the most recent example.

Nevertheless, if through angry words damage was done to the U.S.-Soviet relationship in Reagan's first term, the main victim was the prospect for any sustained departure from the unfruitful course of that relationship in recent years. The political consensus for compromise in both capitals, already feeble, was probably further weakened by the rhetoric. When Secretary Shultz visited Moscow in early November 1985 to try to pre-cook the agenda for the meeting between Reagan and Gorbachev later in the month, he was surprised to learn that the new Soviet leader believed that the policy of the Reagan Administration was driven by deep and overriding anti-Soviet impulses. The early words of the Reagan Administration had cut deeper than many realized. Over time, the summit process may even reinforce this harsh Soviet impression because the contrast between an affable President and an unchanging U.S. policy may seem to the Soviets final proof

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that the President is the captive of anti-Soviet individuals and forces.

III

Defense spending is the other area where everyone concedes the Reagan Administration has wrought great change. Excluding inflation, the 1985 defense budget approved by the Congress was 51 percent higher than five years earlier. Meanwhile, financial commitments for domestic programs (excluding social security and interest on the national debt) declined 30 percent. There has been an extraordinary $330 billion in cumulative real growth in the American defense effort since 1980.[4]

The effects of this massive shift in spending priorities have been profound but unexpected. There is mounting concern in Congress and among experts that the country is receiving too little for its defense money. The response of America's defense industries to this financial cornucopia has too often been not to improve production but to increase prices. Observers are stunned to find that after such a huge financial commitment the Reagan Administration has ended up with essentially the same force structure it inherited from the Carter Administration.

There is also growing public resistance to a continuation of current policies. When Reagan took office he enjoyed a virtual national consensus that defense spending should be increased. Because the Administration overexploited this consensus, it has now lost it. In December 1985, Congress passed, and the Administration was forced to accept, legislation cosponsored by Senators Phil Gramm (R-Tex.) and Warren Rudman (R-N.H.) that will, barring executive-legislative agreement to reduce the budget deficit, impose a balanced budget on the country by 1991 through equal reductions in civilian and defense spending. A major share of civilian spending, namely social security, interest on the national debt and several programs for the poor, is excluded from the formula. The Reagan revolution in defense spending has spawned a counterrevolution that might never have taken place had administration officials, flushed with victory, not been so unwilling to moderate their demands in 1981 and 1982.

The most important change in the defense field, however,

[4] See the article by budget expert Richard Stubbing, "The Defense Program: Buildup or Binge?" *Foreign Affairs*, Spring 1985, p. 848.

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may turn out to lie not in the shifting fortunes of the defense budget but in some of its new directions. With the President's Strategic Defense Initiative, an administration has proposed a fundamental shift in America's military strategy for the first time since the introduction of the strategic missile. From reliance on the offensive capability to strike the Soviet Union with devastating retaliation under all circumstances, including a Soviet first strike, the Administration envisions moving with SDI toward reliance on a defensive capability that limits or excludes damage to the American heartland from a Soviet nuclear attack.

Announced before it was clear that there was an adequate scientific basis for progress in the near term, the proposal has thrown into question American adherence to the Anti-Ballistic Missile Treaty and threatens to spark a new, enormously expensive cycle in the arms competition between the United States and the Soviet Union. This action alone should establish the right of the Reagan Administration to contend that it is quite different from earlier administrations and that it is bringing about a major shift in America's international position. Regrettably, its commitment to SDI is less likely to restore American invulnerability than to ensure American insolvency, as the cost may approach one trillion dollars.

IV

Careful consideration of the effects and nature of changes wrought by the Reagan Administration in rhetoric and defense alone should cause analysts to reassess the facile conclusion that this administration is more or less like any other. But when changes in other areas are also considered, then the case seems persuasive that many earlier assessments understate the Reagan record of change, a record that merits more sober evaluation in terms of the benefits or costs it has brought to the American people. In addition to rhetoric and defense, significant policy shifts have occurred in five other areas.

Arms Control. The Nixon, Ford and Carter Administrations were able to resolve every compliance problem with the Soviet Union to their satisfaction through discussions in the Standing Consultative Commission in Geneva. The Reagan Administration has been more anxious to reap the domestic benefits of denouncing possible Soviet violations, even at the cost of undermining the arms control process, than to gain the diplomatic benefit of negotiating with the Soviets to bring intentional or

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unintentional violations to an end; it is the first administration since the SALT process began to pursue compliance issues in a spirit that has led to a total impasse with the Soviet Union. The Administration has issued a new interpretation of the Anti-Ballistic Missile Treaty that the chief negotiator of that treaty, Gerard Smith, states would radically undercut the treaty's purposes by permitting unlimited testing and development of space-based systems. The Administration has actively opposed the opening of negotiations with the Soviet Union on antisatellite weapons and has vigorously denounced the December 1985 decision of Congress to end funding for the antisatellite weapons program unless the President certifies that the Soviet Union has also conducted tests against an object in space. The Reagan Administration has opposed negotiations on the Comprehensive Test Ban Treaty; it is the first administration to take this position.

Economics. The Reagan Administration has gone much further than any postwar administration in disregarding the impact of U.S. economic decisions on the fate of other nations. The Administration's laissez-faire approach to exchange rates and international interest-rate differentials drained capital from the rest of the world, drove the value of the dollar to levels that priced American exports out of many world markets, turned the United States into a debtor country for the first time since 1914, and raised the debt burden to the developing countries to a point that now seems to threaten the stability of the entire international financial structure.

As Charles F. Kindleberger pointed out in his presidential address to the American Economics Association, the United States has lost its appetite for providing the world with "international economic public goods." Regrettably, past experience suggests that when the world's largest economic power ceases to play this role, global economic setbacks have a tendency to become global economic crises.[5]

Third World Policy. The Reagan Administration has consistently stressed instruments of force in its policy toward the Third World. Total U.S. foreign aid nearly doubled between 1981 and 1985 to reach a level of $19.2 billion. But the portion of the aid budget devoted to security concerns rose from roughly half of the fiscal year 1981 foreign aid budget to more than two-thirds of the FY 1985 budget. The Administration

[5] *The New York Times*, Jan. 3, 1986, p. D3.

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plans to raise this portion further, to more than 70 percent, by FY 1988. The Administration has used military force in Grenada and Lebanon and against Libya. It has threatened the use of military force against Iran, Nicaragua and Syria. It has conducted menacing military maneuvers near Cuba and Nicaragua.

Although the records are necessarily classified, it is well known that the Central Intelligence Agency has received a sharp increase in funding during the Reagan Administration. The agency has helped to plan or direct the mining of the harbors of Nicaragua, the writing of pamphlets that appear to condone the assassination of Nicaraguan officials, the raising of private funds for the counterrevolutionary forces in Nicaragua after congressional prohibitions blocked official funding, and the general management of an effort that every observer outside the government believes is designed to topple the Sandinista regime, a congressional prohibition against this step notwithstanding. The attitude of the Administration toward the issue of CIA accountability is suggested by a speech given by CIA Director William Casey in October 1984 before the Association of Former Intelligence Officers. He contended: "With few exceptions, the highly publicized charges made against the CIA during the mid-seventies turned out to be false." As his predecessor, Stansfield Turner, has acknowledged, the statement is "both inaccurate and dangerous," because it leads to the conclusion that oversight is not necessary.

International Institutions. The Administration has withdrawn from UNESCO and declared it will no longer follow a policy of automatic compliance with the decisions of the International Court of Justice. It has threatened to withdraw from the Food and Agricultural Organization, the International Atomic Energy Agency and the U.N. Conference on Trade and Development. It has repudiated the earlier understanding among major donors that the seventh replenishment of funds for the World Bank's International Development Association would be at a level at least equal in real terms to that of the last replenishment. By limiting the U.S. contribution to no more than $2.25 billion over three years, the Administration forced a 40-percent cut in real terms in the bank's funds for soft loans. The Administration has refused to sign the Law of the Sea Treaty laboriously negotiated on a bipartisan basis over the course of four administrations. It has refused to continue contributions to the U.N. Fund for Population Activities, and

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it cast the lone vote against a World Health Organization code of conduct regarding the manufacture and distribution of infant milk formula. Furthermore, it is the first administration in postwar history to fail to defend international institutions against congressional pressures, which have now resulted in the Kassebaum Amendment that unilaterally reduces the mandated U.S. contribution to the United Nations from 25 percent of the budget to 20 percent unless the General Assembly adopts a form of weighted voting on financial issues—a step that requires amendment of the U.N. Charter. Even more extreme measures seem likely to pass through the Congress this year.

This record is extraordinary. The Reagan Administration has brought major shifts in U.S. foreign policy that will have profound consequences for years to come. It is not true that the foreign policy of this administration differs from that of its predecessors only in image and not in substance.

V

What impact has this very significant degree of change had on America's position in the world? Administration critics, when they are fair, have to acknowledge that the short-run damage to America's standing in the world has been far less than they predicted. Like the economists who have been telling the public for five years that the Reagan economic program would lead to grave economic difficulties, foreign policy analysts have similarly been predicting difficulties. Rising concern over global debt problems and recent troubles in South Africa and the Philippines suggest that both groups of critics may turn out to be right in the long run, but both have been embarrassed in the short run because events have not immediately borne out their concerns.

Thus the West Europeans accepted the Administration's rough rhetoric, cruise missiles, and strategic surprises with grumbling compliance. Yet open anger over trade differences, barely suppressed disagreement about American policy in the Middle East or Central America, and the growing estrangement of the younger West European generation from a more confident, sometimes overbearing America preclude general acceptance of the Reagan Administration's optimism. It is also true, however, that U.S.-European relations at the end of 1985 were far better than the foreign policy community outside the government feared would be the case.

The same point can be made about other areas of the world.

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The Administration's negotiating tactics did not lead to an agreement with the Soviet Union in the field of arms control but the Soviet Union, after a brief period of refusing to negotiate with the Administration, did agree to reopen arms control talks with the United States. Both the Arabs and the Africans were angry with administration positions toward such sensitive issues as the legality of Israeli settlements on the West Bank (they are "not illegal") or the process of change inside South Africa (P. W. Botha is a "reformer"). The Latin Americans strongly disagreed with U.S. policy toward Central America. But the Arabs, Africans and Latin Americans remained eager to reengage the United States diplomatically in the problems of their region whenever the Administration appeared willing to do so. In other words, the diplomatic costs to the United States of its undiplomatic behavior seemed small, at least in the near term.

Why was this the case? There are three plausible answers. One, given by many neoconservatives, is that previous administrations overestimated the ability of other states to defy a determined United States. As pointed out by the editor of *The National Interest*, a new journal that brings together both conservatives and neoconservatives, the latter put an enormous emphasis on the importance of "will" in confronting and changing the world.[6] The weakness of this explanation is that neoconservatives themselves have bitterly condemned the Reagan Administration for a supposed lack of will regarding such issues as U.S. policy toward Poland and U.S. military policy in Lebanon.

A second explanation might be that the Administration benefited politically from what was a disastrous economic climate for most of the globe. During the first term of the Reagan Administration, the developing countries of Latin America and Africa were subjected to severe economic shock as the Reagan economic program drove international interest rates to historic levels and threatened their ability to repay their debts. They were therefore in no position to pressure the United States on political issues. They had to reserve their diplomatic capital for efforts to secure economic assistance that might enable them to make it through this difficult period. Europe was hardly in a better position. Traumatized by its inability to expand the

[6] See Owen Harries, "Neoconservatism and Realpolitik," *The National Interest*, Fall 1985, p. 127.

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size of the labor market as it faced a growing number of new job entrants and worried that it was falling behind Japan and the United States in the promising fields of high technology, Western Europe in the early 1980s was more in a mood to learn rather than instruct. In any event, it felt that it could not afford to offend the United States politically. In the Middle East, the Arab oil producers, unable to negotiate equitable production shares in a declining market, steadily lost power and influence during Reagan's first term.

A third explanation could be that foreign governments have decided to wait out the Reagan Administration to see if its policy innovations endure; only when that is clearly the case will they make permanent adjustments of their own. Thus moderate Arab states will not radically alter their policies—perhaps, like Syria, by turning to the Soviet Union—until it is clear that neither this administration nor its successor is likely to give the Middle East peace process greater emphasis than it has. The Soviets, the Latins and the Africans know that there are powerful currents in the American body politic that wish to give greater emphasis to arms control negotiations or to compromise in Central America or to more vigorous pressures against South Africa. Only if it is clear that the succeeding administration will adopt policies similar to the Reagan Administration's (and can successfully manage or disregard the resulting pressures) will foreign governments begin taking decisions that will affect American foreign policy for years to come.

VI

Whatever the reason for foreign quiescence, President Reagan started his second term in an unusually strong position diplomatically. In his inaugural address, he claimed that the United States was "poised for greatness." Many foreign leaders agreed that his administration was poised for considerable accomplishment and reacted accordingly. In January the American and Soviet foreign ministers met in Geneva to establish a framework for arms control negotiations. The same month, the prime minister of Japan visited the United States to discuss with the President measures to open up Japanese markets. On January 30 Cuban leader Fidel Castro proposed in an interview several measures to improve U.S.-Cuban relations. In February the British prime minister visited Washington to begin discussions that, by the end of 1985, would lead to British participation in SDI. That same month, Yasir Arafat and King Hussein

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of Jordan hammered out a common approach to the Middle East peace process. In short, in virtually every area of the globe steps were being taken to capitalize on President Reagan's reelection and the new prospects that victory offered for American diplomacy.

But by the year's mid-point, in the wake of unexpected events, presidential misstatements and administration disarray, diplomatic momentum had been lost. The Administration began to react to events rather than to take advantage of them. And a sense of lost opportunities grew.

A simple list of the unexpected events over the course of the year gives some idea of the extent to which they robbed the Administration of a promising beginning in its second term. The day of President Reagan's inauguration, Soviet officials acknowledged during a visit to France that Soviet leader Konstantin Chernenko was ill. Immediately world attention shifted for several weeks from Washington to Moscow as the process of succession in the Kremlin began to unfold. When Mikhail S. Gorbachev was selected to succeed Chernenko in early March, events in Moscow continued to hold world attention as the new leader moved with unexpected speed to consolidate his position, within a few weeks naming five new members to the Politburo. To the West's dismay, he also showed a sophistication in dealing with the outside world not seen in a Soviet leader since Lenin himself.

In late May the spotlight seemed to return to Washington. But the President lost the initiative by becoming embroiled in the Bitburg affair. For weeks the main issue before the Administration was how the President could both carry through on his determination to visit a German military cemetery that contained graves of SS troops and mollify the domestic outrage, which moved beyond Jewish groups into the veterans organizations and political figures in both parties.

Scarcely had the Administration extricated itself from that self-inflicted political disaster than Shi'ite gunmen on June 14 seized a Trans World Airlines Boeing 727 with 153 passengers aboard and forced it to land in Beirut. They dominated world headlines through the rest of the month. Only two months before, Israel had moved 1,100 Lebanese prisoners to Israel over U.S. objections that the transfer violated the Geneva conventions. The fate of the two groups being held became linked informally; and although the Administration overall handled the crisis skillfully, some bruising public disagreements

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between cabinet members in Israel and the United States prolonged the crisis unnecessarily.

Again the Administration prepared to resume diplomacy as usual when, on July 13, the President underwent an operation for the removal of an intestinal polyp that was found to be cancerous. The President demonstrated remarkable recuperative powers for a man of his age. Nevertheless, by the time he returned to a full work load, there were new surprises to drive his administration on the defensive.

Throughout 1985 black unrest in South Africa had been spreading and by summer it seemed clear that there would have to be a major adjustment in the policy of the South African government to contain the situation. Although members of the South African cabinet raised worldwide expectations of a major shift toward moderation, particularly in an early August meeting in Vienna between South African Foreign Minister Roelof F. "Pik" Botha and then U.S. National Security Advisor Robert McFarlane, South African President P. W. Botha stunned the world on August 15 by rejecting all calls for significant reform, thereby plunging his country into a major political crisis. The Reagan Administration soon faced a crisis of its own: the President was able to ward off congressionally mandated sanctions against South Africa only by proclaiming them on his own.

Within a few weeks another crisis broke over the heads of the Administration: the seizure on the high seas of the Italian liner, *Achille Lauro*, with 14 American passengers. By the time that crisis was over, the Administration had begun to prepare for the November summit between the President and the leader of the Soviet Union. But here as well the Administration seemed to remain on the defensive. At first with his crushing electoral victory in 1984, the President appeared determined to create a more coherent administration team. He overruled the hard right in its determination to move Jeane Kirkpatrick from the United Nations into the White House as national security advisor. And he appeared to back Secretary of State Shultz' effort to gain greater control of the Administration's foreign policy machinery through personnel changes. But Mr. Shultz failed in his bid for policy dominance, and throughout the year the disagreements between the Departments of State and Defense grew more pronounced on a host of issues—the use of force, arms control and strategy for the summit. Robert McFarlane assumed a larger policy role for a time, but then

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resigned from the Administration in December; his departure was for many a concrete sign of the President's continuing failure to manage effectively the various national security agencies of the federal government.

VII

Against this backdrop, it is remarkable that the Reagan Administration finished 1985 in as strong a position as it did. Its recovery toward the end of the year is the result of two factors: first, the rest of the world probably sees the Reagan Administration as having brought about more change in U.S. foreign policy than many American foreign policy analysts see. Foreigners are impressed with the fact that in a crisis President Reagan continues to get his way. They may or may not like his foreign policy ways but, the missteps of 1985 aside, they see the Reagan Administration as still in control of the United States even if it is not always in control of itself. And any administration in control of the United States remains poised if not for greatness then at least for action, whether purposeful or destructive. It is necessary therefore to continue to take this administration seriously.

Second, in yet another demonstration of the decisive impact of U.S.-Soviet relations on the rest of the foreign policy agenda, the reasonably successful summit with General Secretary Gorbachev returned to President Reagan the aura of a man once again in charge of events. In fact, it is too early to judge the real accomplishments of the summit. If the President cannot compromise on SDI or Gorbachev cannot change his position, it is difficult to see how the coming summits can lead to anything but a public announcement that the arms control process has broken down. But at a personal level, the President's achievement is undeniable. He used his considerable charm to establish a personal relationship, despite the language barrier, with the leader of the other superpower.

As 1986 approaches, therefore, the big question in American foreign policy remains: what will the Reagan Administration do with the power it has accumulated through electoral victory at home and negative diplomacy abroad? At this point the Reagan Administration is like an athlete who has been training for five years but never entered a race. No one knows why he will not participate. Perhaps he fears his competitors will cheat. Or his trainers may believe that he is less strong than his fine appearance would suggest. What is clear is that power accu-

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mulated but never used for positive purposes is power wasted. Historians may well conclude that the Reagan Administration enhanced America's influence but failed to advance its interests. In the coming months, the following issues seem particularly critical.

In arms control, the diplomatic window for an agreement is now open. A problem that has troubled the U.S.-Soviet relationship from the beginning has been the issue of parity. As Averell Harriman, the American ambassador in Moscow in 1945, reported to the State Department, American possession of the atomic bomb virtually doomed any possibility of a less conflictive relationship between East and West until Soviet science closed the U.S.-U.S.S.R. knowledge gap and Soviet industry closed the military gap.

Most objective observers believe that after 40 years of arms competition the two sides have finally moved into a position of rough parity. The stage is therefore set for significant arms control negotiations, provided the Administration is willing to accept the domestic costs of striving for an agreement (and the Soviets themselves are willing to compromise). But just as this level of parity has been reached, it is threatened by two developments, one old and one new. The first is the relentless march of technology and the second is the proliferating systems of the smaller nuclear powers.

Technology has always promised but has never delivered a decisive and lasting military advance to one superpower or the other. SDI holds out to some the intoxicating promise of a return to the 1950s, when the American heartland was secure from nuclear attack and the American deterrent in Europe allegedly had greater credibility because of that heartland invulnerability. It seems to be an iron law of the arms race that any important new weapon that can be built will be built, even if there are clear-eyed senior officials who warn beforehand that deployment may not serve the long-run interests of the state once the other side acquires the same technology or takes compensatory actions. Warnings about the ultimate impact of the hydrogen bomb, which now threatens the very existence of mankind, or the multiple independently targetable reentry vehicle, which rendered U.S. land-based missiles vulnerable to first-strike attack, went unheeded. Similar prophecies about the consequences of a cruise missile age or a vigorous SDI program are also likely to go unheeded. Nikita Khrushchev's memoirs reveal that the Soviet leadership resembles the U.S.

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leadership at least in one respect: both have been more willing to accept the undesirable diplomatic consequences of continuing the race than the unpleasant domestic consequences of working to contain it.

There is also the looming problem of the nuclear arsenals of the small nuclear powers. These states are now engaged in arms modernization programs that will radically increase their collective destructive power from a few hundred to more than 1,000 nuclear warheads. In the case of France and Britain alone, when the modernization program is complete, each British and French missile-firing submarine will have the capacity to attack all major cities in the Soviet Union.[7] Each British or French submarine commander will have under his control more destructive power than any enemy the Russian people have faced in their history. Meanwhile, China is also engaged in a major modernization effort.

No one can expect the smaller nuclear powers to forego their modernization plans when the nuclear arsenals of the superpowers remain so enormous. But if these plans are carried out, the world will face a unique conceptual problem for the first time since 1945. It is well known that two powers negotiating an arms control treaty can establish parity at any point between zero and infinity. But if there is a third party involved in the negotiations, there emerges the difficult problem of compensation for the negotiating party that most fears that the other two will band together against it. The Americans and the Soviets can deal with this problem while the third-party arsenals remain relatively small. But as they mount in numbers, so will the difficulties the Americans and Soviets face in hammering out an agreement that both can sign. The window of diplomatic opportunity for the superpowers in the field of arms control will not remain open very much longer.

On the subject of regional conflicts, the Reagan Administration will also have to face up to some difficult choices regarding the role of the Soviet Union in world affairs. Ronald Reagan came to office determined to roll back what he and his supporters saw as a red tide moving through the Third World. And in 1985 the pressure on the Administration and within it to take more decisive action increased significantly. The repeal in 1985 of the Clark Amendment, which barred the executive

[7] George M. Seignious and Jonathan P. Yates, "Europe's Nuclear Superpowers," *Foreign Policy*, Summer 1984, p. 46.

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branch from undertaking covert operations in Angola, opened up a struggle over whether to provide covert or overt U.S. assistance to the rebel forces of Jonas Savimbi, the leader of the National Union for the Total Independence of Angola (UNITA). The passage of legislation during the year to provide financial assistance to the non-communist resistance in Kampuchea marked another milestone. The Congress also authorized in 1985 direct "humanitarian" aid to the resistance forces struggling to overthrow the government of Nicaragua. In Afghanistan the United States has begun providing third-country weapons to the guerrillas.

In none of these cases, however, is U.S. aid likely to be great enough to be decisive. If these conflicts are to be resolved, they will have to be resolved diplomatically. The Administration throughout 1985 has in fact engaged in diplomatic exchanges with the Soviet Union about various regional disputes around the world. Yet these exchanges have been remarkably sterile and are likely to remain so until the Administration confronts a basic conceptual problem governing U.S.-Soviet relations: Americans have not reached a consensus regarding the role that they are willing to see the Soviet Union assume in world affairs. In the past, when ideology did not play such a large role in world affairs, great powers in danger of a direct clash over peripheral areas and wishing to avoid war could resort to one of three tools: condominium, spheres of influence or rules of the road. For very special reasons each of these approaches creates problems for the United States.

America's allies are vehemently opposed to a condominium, which they believe could only be established at their expense. Nor is the Third World, now armed to the teeth with the latest weaponry, likely to accept a condominium without exacting a price.

The American people are opposed to spheres of influence because of the implications for Eastern Europe, to which a large number of Americans trace their origins. Only one president has been willing to try to improve U.S.-Soviet relations through a cold-blooded recognition of spheres of influence. And Franklin Delano Roosevelt told Stalin privately that he could not reveal his own views to the American people because he feared the impact of the Polish vote on the 1944 election. Nothing in the intervening years suggests that the American people would permit an administration to turn to this time-tested tool of preventing conflict among great states. Indeed,

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the latest authoritative pronouncement on this issue came from the Kissinger Commission on Central America, which formally declared spheres of influence as "un-American."

There remain rules of the road, which the Nixon Administration tried to develop in the early 1970s. But this approach also suffers from deficiencies. Did the Soviet Union follow the rules of the road in the 1973 Middle East war? The evidence is mixed. Who violated them in Angola where each superpower launched a covert operation to place in power a faction tied to itself? The problem in each case is that there is no mechanism to establish authoritatively who is respecting the rules or violating them.

It may be that any lasting improvement in U.S.-Soviet relations will require the use of all three tools. On a few issues like nonproliferation, a condominium may be appropriate. In Eastern Europe and Central America more formal recognition of spheres of influence might prove stabilizing, provided that such a development took place in the context of greater permissiveness by each superpower toward political experimentation within its sphere. America's concern in Eastern Europe should not be that the Soviet Union is the dominant power—that is a geographical reality—but that the people of the area do not enjoy a sufficient degree of freedom. And perhaps if the rules are few, limited and unambiguous—no superpower troops or military advisers in black Africa, for example—rules of the road might have a more positive impact today than they did in the early 1970s.

Engaging in anything more than a polemical discussion with the Soviets about regional issues, however, will exact a domestic price. Yet in virtually every regional conflict—from the Middle East to Central America to Southeast Asia—it is difficult to see progress going beyond a certain stage without some understanding between the United States and the Soviet Union about their respective roles in the area.

As for the economy, the crisis facing the Reagan Administration at the end of 1985 is daunting. For the last several years the big debt story has been the Third World's inability to repay the enormous loans it had received from banks in the Western industrialized countries. In 1985 this debt crisis has been joined by others. The American agricultural sector is facing a credit crisis that resembles that of the Great Depression. A General Accounting Office study in October revealed that 42 percent of all U.S. savings institutions were insolvent

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or had dangerously low net worth. On November 8, the Federal Deposit Insurance Corporation reported the one-hundredth failure this year of an insured bank. In all of 1983 only 45 failed, and in 1984, 78 went under.[8]

Meanwhile, the United States faces an unprecedented trade and international payments crisis. The high value of the dollar has sucked in imports and helped create a trade deficit of $123 billion in 1984, which is expected to reach $140 billion in 1985. The high interest rates have pulled in foreign capital that has been used to finance the enormous budget deficit that the Administration will not finance by raising taxes or compromising on defense spending. At current rates, U.S. indebtedness could rise about $500 million by the end of the decade, according to the president of the Federal Reserve Bank of New York. In coming years Americans will have to use an increasing share of their export earnings to pay for the interest on this large foreign debt. Perhaps the coming budget showdown mandated by the Gramm-Rudman legislation will force some essential compromises.

To his credit, the new secretary of the treasury, James Baker, in 1985 took two critical first steps in dealing with the crisis. In September the top economic officials from France, Japan, the United Kingdom, the United States and West Germany agreed to work in concert to drive down the value of the dollar; by the end of the year they had had some success. In October, Baker proposed his $29-billion plan to help the developing countries through their debt crisis. The Baker plan would require $9 billion in general-purpose loans from the international financial institutions, primarily the World Bank; the private banks would be expected to advance the other $20 billion.

Most observers believe these measures are inadequate. But adequate measures, like progress on arms control or agreement with the Soviet Union on Third World conflict, will exact a high domestic price. An adequate world debt reform package will severely test the President's leadership skills. Yet failure to take adequate steps may exact another price. During the period 1929 through 1933, when many developing countries faced an economic crisis no worse than that now confronting many of them, there were more than 50 revolutions in Latin America

[8] Timothy B. Clark, "Explosive Debt Growth May Threaten Health of U.S. and World Economies," *National Journal*, Nov. 16, 1985, p. 2594.

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alone. Thus far the economic squeeze in Latin America has served to drive the military to give way to civilian governments. But the tide can turn in the other direction.

VIII

A problem in evaluating any administration's foreign policy is what time frame to use. Most administrations are more interested in the electorate's judgment than history's. Each administration is tempted to claim credit for maintaining stability when in fact its policies may have planted the seeds for large-scale failure that will only come to light in future administrations. One reason, for example, that U.S. options seem so limited in the 1980s in such crisis areas as the Persian Gulf, Central America, southern Africa or the Philippines is that many of the key turning points occurred in the early 1970s and were not understood or acted upon then.

Thus it was the Nixon Administration that encouraged the Shah of Iran to assume the role of regional gendarme, squandering Iran's treasure and polarizing its politics. That same administration took the view, in National Security Study Memorandum 39, that in Africa the "whites are here to stay" (including in Portuguese Africa) and that the United States "through selective relaxation of our stance toward the white regimes" could "encourage some modification of their current racial and colonial policies." Elsewhere, the Nixon Administration showed little interest in the early 1970s when José Napoleón Duarte won a fair election in El Salvador only to have the military steal it away, or when Ferdinand Marcos moved to establish a dictatorship in the former American colony of the Philippines.

In retrospect, all were disastrous decisions by an administration that many prematurely argued was able to show real artistry in most aspects of foreign policy. An Iran that devoted its fabulous oil wealth to domestic concerns instead of massive arms purchases might have weathered the storm that soon overtook it. A southern African policy that took into account the fragility of Portugal's African empire might have adopted different policies toward the liberation movements soon to succeed in Angola and Mozambique. If the United States had spent the 1970s working to build more democratic governments in El Salvador and the Philippines, the political geography of both areas might now be considerably more promising. Subsequent administrations share responsibility for set-

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backs because, with the exception of Carter's effort to establish closer ties with the black majority in South Africa, they basically accepted the policy lines the Nixon Administration had bequeathed them. But the turning points came in these critical years of the early 1970s.

On the basis of its first five years, the Reagan presidency is likely to go down in history as an administration that could win elections but lost opportunities. It is likely to be judged as having assumed a major and unnecessary responsibility for a new and financially exhausting chapter in the arms race, increased turmoil in the Middle East and southern Africa and lasting damage to the postwar financial and trading system.

When President Reagan assumed the duties of his office, one of his first acts was to hang a picture of Calvin Coolidge in the White House. It may turn out to be his most symbolic act. Coolidge, by ignoring problems, immeasurably increased the difficulties faced by his successor, Herbert Hoover. Unless he now uses positively the power he has accumulated, Ronald Reagan is likely to pass on a similar legacy to his successor.

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Harold Brown

IS SDI TECHNICALLY FEASIBLE?

The program known as the Strategic Defense Initiative (SDI) includes research on a variety of technologies—many aimed at distinct phases of the ballistic missile flight path. For each phase—boost, post-boost, mid-course and terminal[1]—a defense would require successful surveillance, target acquisition, tracking, guidance of the weapons, and kill mechanisms. Are the objectives of SDI technically feasible?

The answer will depend primarily on what specific objectives strategic defenses ultimately seek to achieve—protection of population, of missile silos, of other military targets. Within that context, the answer will further depend on the capabilities of the technologies and on the potential countermeasures and counter-countermeasures of each side.

This article will assess the prospects for the various defensive technologies for both the near term (10 to 15 years) and the longer term. It will include recommendations on how to proceed with a realistic research and development program. It will also make tentative judgments on the technical feasibility of various SDI objectives, though definitive answers are not yet possible. The political desirability of SDI is a separate question, not addressed here.

Finally, in considering the prospects for the various SDI technologies, it is important to remember how long it takes to move from technological development through full-scale engineering to deployment. That time is governed by the budgetary and legislative process, as well as by the state of technology.

[1] The boost phase is the period during which the ballistic missile rockets operate to bring it to (or near) its peak velocity. In the post-boost phase the warheads (and decoys) are released from the last stage of the missile. It is followed by the mid-course phase outside of the atmosphere, the lengthiest part of the trajectory. The terminal phase is the period from shortly before reentry into the atmosphere until detonation.

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—After the technology is proven out, full-scale engineering development of a moderately complex system will typically take five to eight years (a new ICBM is a good example).
—The course of deployment (unless there is concurrency of development with deployment, which has almost always proven counterproductive) takes five to seven years after completion of engineering development.
—Thus, if proven technology exists now, it will take 10 to 15 years before a new system employing the technology could be substantially deployed.
—If the technology needs to be further developed, even though the phenomena exist and are well understood, the time for that technology development will have to be added to such a period.

II

What kinds of technologies could be embodied in defenses against ballistic missiles that could begin deployment before or about the year 2000?

Terminal hard point defenses (e.g., defending ICBMs), using hardened ground-based radars and interceptor rockets, would require about ten years between a decision to deploy and having a significant force; the time to completion of deployment would approach 15 years from decision. The necessary technology exists now, and some subsystems have already been partially developed. What would be required would be the design of a new system involving—in sequence—some additional prototype development, full-scale engineering development, production and deployment. Such a system would include an interceptor like the Spartan missile aimed at reentry vehicles (RVs) outside the atmosphere, and another, rather like the Sprint missile, for intercepting RVs that have already entered the atmosphere.

Present designs of both missiles would require the use of nuclear warheads. Alternatively, non-nuclear versions could be developed using terminal homing devices in the interceptor. There is some question about how heavy a conventional warhead (and therefore the interceptor missile) would need to be in order to provide high probability of destroying the incoming RV and missile warhead; it depends on how close to the reentry vehicle the terminal guidance could bring the interceptor. If a

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non-nuclear interceptor is chosen, this would lengthen by at least a few years the time to a substantial deployed capability.

An additional optical sensor, the Airborne Optical Adjunct (AOA), which would track reentry vehicles by detecting their infrared emissions or viewing them with visible light, could also be included at about the same time as a non-nuclear warhead.[2] Such a capability is feasible technologically and likely to be helpful in discrimination during or shortly before the offensive missile's reentry, but the technology would need some additional development.

Over the next 10 to 15 years it also appears technologically feasible to develop the components of a system using *space-based kinetic-energy weapons*. These chemically propelled rockets would intercept the offensive missile during its boost phase and destroy the target by impact or by detonation of an exploding warhead. The chemical rockets would be similar in nature to air-to-air missiles, but steered with reaction jets rather than aerodynamic surfaces. The targets could be designated to the interceptors by laser or radar tracks, provided by a set of tracking and fire-control satellites orbiting at a higher altitude than the satellites from which the interceptors would be fired. Short-range laser designation of ground or airborne targets exists, but the accuracies required for ICBM tracking would require significant additional technological development, as would imaging and processing the infrared data, and looking close to the horizon.

The interceptors would home onto the target, guided by their own passive observation of the infrared emissions from the target missile or by receiving reflections from the target of radar signals emitted from satellites (semiactive radar homing). Such a system, however, must find a way to direct the killer rocket to the actual ICBM booster rather than to its plume (exhaust), which emits the infrared signal. While presumably this can be done, it will add complexity and offer an opportunity for offense countermeasures. Though the technology for components of kinetic-energy kill and boost-phase intercept systems exists, solution of problems of this sort would require a considerable developmental process.

Several years of additional technical development could sig-

[2] Development or testing of AOA beyond the technology platform stage, as a component of an ABM system, even of a fixed ground-based ABM system, would appear to violate the ABM treaty because the AOA is itself a mobile component.

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nificantly decrease the weight of the intercept rocket for a given kill probability. That approach is indicated because the weight determines a significant part of the total system cost. The cost of putting payloads in orbit with either the present shuttle or expendable boosters is thousands of dollars per pound. To reduce those costs to an acceptable level, a new "super" shuttle would probably have to be developed. This would involve a ten-year development process and a delay in deployment of a space-based kinetic-energy system.

Missile boosters in the upper atmosphere and in space can be detected, tracked and attacked through the infrared emissions of the missiles' exhaust plumes while their propulsion stages are burning; however, the actual effectiveness of such an approach will depend not only on the technical features of the defense, but on the actions of the offense in employing decoys, adopting countermeasures and suppressing the defensive system itself. For example, modest deliberate fluctuations in booster propulsion ("jinking") could require the kinetic-energy interceptor to make significant changes in its cross-trajectory velocity, and this would involve a large weight penalty for the defense. Fast-burning boosters would effectively negate such a defense system.

Nevertheless, the technology for a space-based boost-phase intercept system of some capability, using kinetic-energy weapons, could be ready for a decision as early as 1990–92 to initiate full-scale engineering development, with a significant deployment able to begin some time between 1995 and 2000. Soon after the year 2000 there could thus be deployed a space-based kinetic-energy kill system along with a high-altitude and low-altitude terminal defense. These would constitute three layers of a possible multilayered defense, the purpose of which would be to compound modest kill probabilities in each defensive layer so as to produce a high overall kill probability.

III

For the period five to ten years beyond 1995–2000, more elaborate space- and ground-based technologies *may* be feasible, with a corresponding period of deployment beginning some time between 2000 and 2010. Increased uncertainty, however, naturally attaches the further out we look.

Among the less uncertain of these later technologies are *space-based directed-energy weapons* such as neutral particle beams and chemical lasers.

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—A *neutral particle beam* (NPB) would be made up of atomic particles, accelerated to a high speed in charged form by electric fields in an accelerator, then steered and pointed by a magnet, and then neutralized so that it will not be deflected by the earth's magnetic field.

—A *chemical laser* uses the energy created by chemical reactions[3] to create a highly focused, intense, highly ordered ("coherent") beam of infrared light, directed by a mirror.

As a measure of their status, both of these technologies could well be used toward the early end of the period 2000–10 for antisatellite purposes, which are less demanding than the antiballistic missile task. Demonstrations of the capability to kill an individual satellite by such means—most likely on cooperative targets—could be made still earlier, but these would not represent an operational military system.

Neutral particle beams are, in their present state of development, much brighter than any existing laser in terms of energy into a given solid (cone) angle. Today they produce particles of energy corresponding to acceleration by a few million volts of electric field (and could in the future be improved to 100 million "electron-volt" energies). Protecting ballistic missiles from such high-energy NPBs would require much heavier shielding than would protection from lasers. During the next 10 or 15 years, however, it is unlikely that NPB technology will be able to put more than ten percent of the primary energy into the particle beam itself. Such low efficiency means that a space-based NPB would probably require a nuclear power source, development of which would delay the possible deployment of a system.

In addition to the usual target acquisition and tracking problems, a defense based on neutral particle beams has several other critical tasks. The magnet necessary to point the beam before its neutralization is likely to be heavy—and expensive—to put into space. The tasks of developing an ion source capable of operation over some minutes and of achieving the necessary pointing accuracy will be difficult. Even more difficult is tracking the beam, since it gives off almost no signal in space. Finally,

[3] For example, the chemical combination of hydrogen and fluorine. If the population of the resulting excited molecules outnumbers that of the lowest-energy ("ground") state, stimulation of emission of light of the frequency corresponding to the energy difference occurs, resulting in an intense coherent beam.

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the system will need to find ways to detect the effect on the target, through nuclear emanations from it, because at the full range of a successful NPB attack, the target would not be physically destroyed. Even where NPBs cannot be used to kill targets, however, they might ultimately prove useful in discriminating among them, because the nuclear emanations from an object hit by an NPB would depend on the object's weight.

For chemical lasers several technological problems still need to be solved. One is getting high enough power while maintaining a low enough beam divergence. Another is the very large weight of chemical reactants required for providing the energy. A third is the feasibility of the large optical systems required. There are, however, some promising technologies under development for chemical and other lasers. Among them are: various phase-compensation techniques to improve the quality and stability of the beam; phase-locking separate lasers together to increase the overall brightness; using adaptive optics (rapid adjustment of segments of a mirror), both to compensate for atmospheric dispersion for ground-based lasers and to ease the problems of creating large aperture mirrors for space-based ones; and phased arrays of lasers to increase intensity and to steer them more rapidly through a small angle, so as to move quickly from target to target. But some of these technologies have yet to reach full demonstration of the physical principles involved, and all are still far from being developed.

IV

Less technologically developed, and therefore more suitable for consideration of full-scale deployment beginning 20–25 years from now, is the use of ground-based *excimer* and *free-electron lasers* (FEL)[4] to be used with mirrors in space as components of a system for boost-phase intercept. Both are now many orders of magnitude away from achieving the intensity necessary for the required lethality, the free-electron laser further away than the excimer laser, at present. But the free-electron laser's device weight is lighter and its efficiency greater (and thus, its fuel weight lighter) than that of the excimer laser.

[4] Excimer lasers use "excited" (higher-energy) states of molecules including a rare gas (e.g., argon) and a halogen (e.g., iodine). These excited states are quasi-stable, while the unexcited ("ground") states are not populated, because the rare gases are not chemically active in their lowest-energy states. Free-electron lasers use the effect of oscillating electromagnetic fields on electron beams to cause the electrons to emit phase-coherent (laser) radiation.

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The FEL might perhaps therefore be deployable in space. But the weights of these lasers and of their energy supplies more probably would require either to be ground based. The laser wavelength for both would allow the beams to penetrate the atmosphere, if the atmospheric distortions problem is solved. Thus both seem more suitable for ground deployment along with mirrors in space. Other problems for the ground-based lasers are the large optics required, both on the ground and for the synchronous-altitude steering mirrors, and obtaining the same high power in each of a long series of repetitive pulses.

These two systems might also be suitable for "active" discrimination—also called "interactive" or "perturbing"—in the mid-course phase of a strategic defense. That is, they could impart energy or momentum to very large numbers of objects in mid-course being tracked by some of the more established technologies already discussed. The resulting changes in the objects being tracked, or in their trajectory, could offer some limited opportunities for discrimination of reentry vehicles from decoys and debris.

Significant technological disagreement exists about the potential of ground-based lasers (free-electron or excimer) versus space-based chemical lasers. Some believe that the smaller amount and lesser complexity of hardware required to be put in space will bring the time for availability of these ground-based lasers as close or closer than the time actually required for those entirely space-based.

Chemical lasers are more proven technologically than excimer or free-electron lasers, but many experts have dismissed their potential use because of the difficulties in designing an effective system. Chemical lasers (space-based because their wavelengths will not penetrate the atmosphere) could be of some use against ballistic missiles now deployed. They could well be severely inadequate, however, against the offensive systems (with, for example, fast-burn missiles and other countermeasures) that could be in place during the first decade of the next century, when a significant defensive laser deployment could be made. Surely such countermeasures would be put in place if defense lasers were deployed. And in light of the large weight of chemical fuel that would have to be deployed in space, the chemical laser system at present seems to fall into the category of technically feasible but ineffective as a system. New optical developments such as phased arrays and phase

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conjugation are now being investigated, however. These might be able to improve the brightness and stability of chemical lasers—and increase their lethal range—to the point where they would have some systems effectiveness even against a responsive threat.

X-ray lasers powered by nuclear explosions are still further off than the other types of lasers, although they seem to offer some interesting distant possibilities. X-ray lasers would have wider beam angles and higher power per unit solid angle than optical ones. This would make them suitable for destroying clouds of objects or for actively discriminating heavy objects among them, and thus effective against such countermeasures as balloons and decoys. Proof of the most basic principle has been established, in that bomb-driven X-ray lasing has been demonstrated to be possible. But there is doubt as to what intensity has been achieved; it is in any event far less than necessary for use in active discrimination, let alone target kill. Demonstration of the physics of a possible weapon is at least five (more likely ten) years off. Weaponization would involve another five or more years, and only thereafter could its incorporation into a full-scale engineering development of a defensive system begin.

Rail guns, which accelerate objects to very high speed electromagnetically, may also have promise. But they are almost as far off as X-ray lasers. Multi-kilogram payloads would need to be accelerated to speeds above 15 kilometers per second, and a system (and power source) would need to be designed that could be used for multiple shots. New guidance and propulsion systems would also have to be engineered to survive such accelerations and to do the necessary terminal homing.

While many uncertainties exist as to future laser technologies for strategic defense, all laser systems would be vulnerable to other lasers. In general, the rules of the competition are that ground-based lasers will defeat space-based ones, larger ones will defeat smaller ones, and bomb-driven X-ray lasers looking up though the fringes of the atmosphere will defeat the same sort of X-ray lasers looking down into the fringes of the atmosphere. Vulnerabilities will also differ as between ground-based and space-based lasers. The former would have the weapons—or at least their energy source—on the ground, and presumably would include mirrors stored or unfolded in or popped up into space for the purpose of steering the laser beams.

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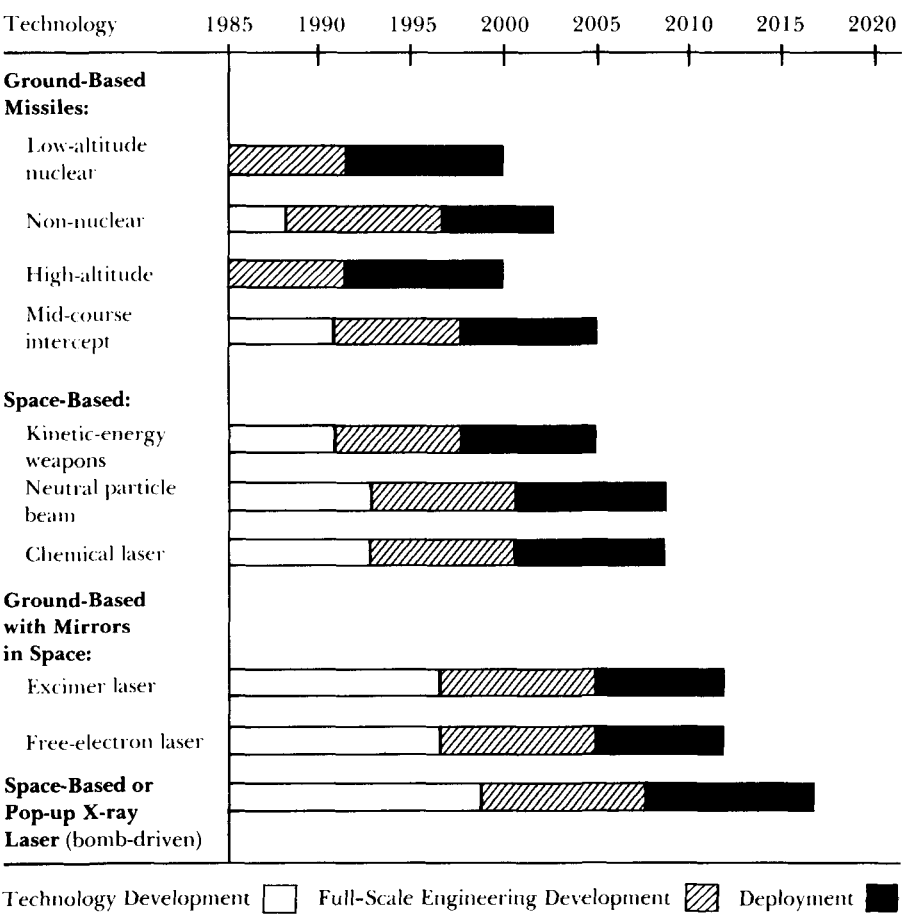
As to time scale, when one is talking about time scales for deployment 25 or more years from now, corresponding to technologies whose full demonstration is more than ten years away, one really cannot know what the time scale will be to reach substantial deployment. The accompanying chart summarizes the time scales for these various systems. For the space-based systems, the pop-up systems and those with mirrors in space, lengthy technology development periods will be required. Depending on how that development is carried out, it may be possible to defer collision with the provisions of the ABM treaty until early in the process of full-scale engineering development. The calendar times differ for each technology, as shown in Figure 1.

FIGURE 1



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V

A successful strategic defense would require not only kill mechanics but also a *battle management system* involving sophisticated *command, control and communications* (C^3). Estimates for the total number of lines of code of software required range from 10 million to 100 million. A measure of the effort involved can be derived by using the standard figure of $50 a line. Thus, the software costs could range from $500 million to $5 billion. The raw cost of such a system is therefore less important than the feasibility and methods of finding and correcting errors in it.

One problem would be with errors in the codes themselves. While this would not be trivial, it could be dealt with in part through automated software production and through artificial intelligence. The latter, though still mostly in the conceptual stage, nevertheless has real capabilities in terms of expert systems, and can be expected to produce real advances within the next ten years. The most fundamental problems for battle management and C^3 are: the establishment of appropriate rules of engagement; the probability of conceptual as well as mechanical error in the creation of the software, and the possibility of redundancy to compensate for it; the need to change portions of the software as new elements are introduced into the system without having the changes compromise the working of the rest of the software; and, most of all, the ability to check out the system, so as to make sure there are no conceptual errors in the software in such matters as handing over tracks of the offensive missiles, transferring automated decisions from one node of the system to another, avoiding loops in the logical sequence, and so forth.

How could such capabilities be tested? Can on-orbit testing be used? Such problems are just beginning to be addressed, and it will take a long time before conclusions can be drawn even as to what the state of this particular technology is compared with what is needed.

VI

In terms of future defensive technologies, what potential defense systems are technically feasible?

It is technologically feasible to create a *terminal defense* overlay of hard ICBM silos, deployed so that the missiles are moved among multiple silos and so that their position at any one time

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is unknown to the attacker. Such a defense overlay can, by preferential defense—that is, defending only the occupied silos—provide a cost-exchange ratio favorable to the defense because the attacker must attack all silos. The same is probably true of defense of moderately hardened mobile missile systems by a terminal defense of corresponding mobility and hardness. In the case of hard-silo defense, a single layer of defense by endoatmospheric ground-based interceptors would suffice. For mobile hardened missiles, a two-tier ground-based system would probably be needed.

Modified ground-based defenses using similar technologies could protect some other military targets, for example command and control centers. The exchange ratio at the margin will vary widely, however, among classes of such targets according to their nature (hardness, area and mobility), their number and their cost. Such defenses could also be deployed for a thin protection of some urban-industrial areas, though they must be recognized as protecting such targets, if at all, only against attacks that are both limited in size and not responsive (i.e., not modified to take account of the defenses). Terminal defenses for these categories would use two-tier ground-based interceptors, and until the early 21st century would need to carry nuclear warheads in at least the exoatmospheric long-range tier. The defenses would be accompanied by space-based early warning and tracking sensors, and by airborne optical sensors to aid in the discrimination task during the terminal phase.

Advanced versions of infrared sensors deployed near or above geosynchronous orbit (an altitude of 20,000 miles) will be needed for attack warning and assessment in any defensive system, even if no boost-phase intercept is attempted. Infrared or other sensors in lower orbits (at altitudes of hundreds of miles) would also be useful to all layers of a ballistic missile defense system for tracking and discrimination. But the sensors must be able to survive. This suggests that they be provided with some self-defense, which in turn could be the first step toward boost-phase intercept.

As to weapons, kinetic-energy rockets based in space are technologically feasible. But an ICBM using a fast-burn booster clearly defeats them, and space-based defenses are vulnerable to defense suppression. Estimates of the exchange ratio for a *boost-phase intercept* defense layer based on kinetic-energy kill range from as low as two to one adverse to the defense at the

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margin (assuming unresponsive offensive threats and including sunk costs for the offense) to more realistic estimates, assuming responsive offenses, of five or ten to one. Defense suppression would probably further shift the ratio in favor of the offense.

Space-based chemical lasers seem feasible in technological terms but more questionable in practical systems terms. Though likely to be faster in response than kinetic-energy weapons, they still will not be a match for fast-burn boosters of offensive missiles. They will, moreover, be vulnerable to defense suppression systems based on other space-based lasers, and also vulnerable to ground-based lasers and direct-ascent antisatellite weapons. Ground-based lasers, whether free-electron or excimer lasers, are interesting future technologies and may be more effective than chemical lasers, but it is too soon to know.

It should be noted that even though fast-burn missiles could thwart a boost-phase intercept, this still leaves the possibility of a *post-boost tier* or layer in an SDI system. The deployment by the offense of warheads and decoys cannot occur until later in the trajectory than the boost phase, at a higher altitude in order to avoid atmospheric drag. But the technology for post-boost intercept capabilities is likely to be difficult to achieve, because it will require electronic examination of images (pictures), using ordinary or infrared light, to distinguish among various components: the burned-out upper stage of the missile, the post-boost vehicle, and the various objects released from it. These requirements, the countermeasures, and the potential technological capabilities for a post-boost layer of defense are just beginning to be considered.

Which technologies would be useful in the next tier, in *mid-course intercept*, is still less understood. Presumably the defense would want to use the same kill methods (kinetic-energy and directed-energy weapons) for intercepts as in the other tiers. This has the advantage of allowing some of the absentee satellites[5] to come into play because of the longer time period involved in mid-course flight of a missile. Discrimination among possibly colossal numbers of objects would, however, be a daunting problem. There are ideas about how to address it,

[5] Satellites in nonsynchronous orbit trace out a path over the earth whose pattern and timing depends on their altitude and velocity. Absentee satellites are those whose position in their orbits, at the time when the attacking missiles are launched, puts them over parts of the earth that are distant from the offensive launch sites.

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but no confidence in any of them; that is why there is a drive toward consideration of "active" discrimination, which would impart energy to the objects in the threat cloud in order to be able to distinguish among them by observing the effect on their behavior. Thus, mid-course intercept is unlikely to play any role in a deployed system until well after the turn of the century.

Through all of these considerations is entwined a serious problem for space-based ABMs: however effective space-based systems may be against ballistic missiles, they would appear to be more effective in suppressing defenses. And direct-ascent antisatellite systems or ground-based lasers may be still more effective than space-based systems in this latter role.

In sum, given the state of present and foreseeable technology, a boost-phase or post-boost phase intercept tier is not a realistic prospect in the face of likely offensive countermeasures and the vulnerability of those tiers to defense suppression. It will also exhibit unfavorable relative marginal costs as a contributor to defense of population at any reasonably high level of protection. These judgments apply to any system beginning deployment at least for the next 20 years, and probably considerably beyond then.

There are interesting new technologies, however, that leave open the possibility that our estimates of the offense-defense balance might change after that time, especially if some of these technologies prove to have some mid-course discrimination and intercept capability, as well as some boost-phase effectiveness. Such a shift is very unlikely, but strategic thinking should include the possibility that it might take place in terms of deployed systems some decades into the next century.

VII

What would a defense system look like if the priorities of the Reagan Administration's SDI program (boost-phase intercept and population defense) were to be combined with the technologies that will be available and a reasonable development program leading to deployment around the year 2000?

It would be likely to have space-based components. It would perhaps include, for example: a dozen satellites at one-half to two times geosynchronous altitude to carry out boost surveillance and tracking; some tens of satellites at perhaps one thousand kilometers altitude to carry out surveillance, tracking and fire control for the attack of boosters, post-boost vehicles,

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and objects in the mid-course part of the trajectory, using infrared detection (short wavelength for boost, long wavelength for mid-course) and laser designation, and possibly some semiactive radar or laser radar tracking; some thousands of satellites, at altitudes of a few hundred kilometers, whose main purpose would be to carry kinetic-kill vehicles, of which there would be a total in the tens of thousands for use as actual defensive weapons.

In parallel, terminal defenses would also be deployed. These would include terminal radars and an airborne set of optical and infrared detectors. There would be some thousands each of exoatmospheric and endoatmospheric interceptors, deployed around missile (ICBM) silos, other military targets and major urban-industrial areas. Some of the endoatmospheric interceptors might even reach out into the later parts of mid-course flight. To moderate the costs of putting into orbit the space-borne component of the system, a new and advanced shuttle would be developed and put in use beginning about 1997.

A supplementary deployment or second phase could be expected to commence eight to ten years later, thus beginning somewhere between 2005 and 2010, and taking another five to seven years to complete deployment. During that phase there would be added satellites carrying chemical lasers for killing offensive targets, and lasers or neutral particle beams for discriminating in mid-course as well. Alternatively, ground-based lasers with mirrors in orbit would be deployed, perhaps as early or perhaps three to five years later still. This second phase carries us into the realm of hypothetical technologies and cloudy crystal balls; X-ray lasers and electromagnetic rail guns lie still deeper in those realms.

Whatever the system architectures, there must be consideration of the possibility—and the effect—of catastrophic failure of one layer of a multitiered defense on the subsequent layers. In both the quantity of hardware and the nature of the software (that is, the built-in operational procedures), the systems must therefore be designed to provide a way to avoid catastrophic failure of a later layer (and thus overall failure) because of a poorer-than-expected performance of earlier layers. The simple multiplication of attrition factors in a series of layers, the number of which is sometimes rather arbitrarily assumed, carries an inherent assumption of its own. The assumption is that the operation of each layer's sensors, tracking, kill mech-

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anisms and effectiveness is completely independent of the nature, physical components and effectiveness of all the previous tiers. The architecture of the entire system has to be such as to assure that this would in fact be the case to the maximum possible extent; also, to the extent it is not, to assure that the system degrades "gracefully." This will not be an easy or inexpensive task.

VIII

What would constitute an appropriate research and development program?

Though existing technology and system concepts for terminal defense can provide an effective defense of hard ICBM silos deployed in a multiple protective shelter mode, more advanced technologies—optical trackers, more accurate interceptors and lower interceptor yields—would increase the system's cost-effectiveness. For improving the contribution of terminal defense to protection of urban-industrial areas and, possibly, of military targets other than missile silos, the technology associated with non-nuclear kill and with terminal discrimination should be pursued. These would include greater tracking accuracy, homing warheads and the airborne orbiting adjunct. Deployment of a prototype developmental version of a terminal defense complex at a test range (Kwajalein) would be extremely valuable, and consistent with the ABM treaty.

Early warning and attack assessment systems should be further developed, including those based on detection of the infrared signal from missiles in a boost phase. To this end, improvements in the present Satellite Early Warning System should be carried out. Infrared, optical and radar tracking of objects in space from distances of up to about a thousand miles will also be useful for any defensive system. The corresponding R&D should therefore be vigorously pursued.

Because kinetic-energy weapons and conventional chemical lasers will be defeated by, or suffer a severe cost-exchange disadvantage from, offensive countermeasures and defense suppression, the R&D program should concentrate on the more advanced kill mechanisms and active discrimination methods that are further off in time. Such an approach, however, is legitimately subject to the criticism that "the best is the enemy of the good." Moreover, the effectiveness of future technologies is easily overestimated simply because less is known about them.

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If one judges that the good is not good enough, then it is appropriate to work on something better (and therefore usually further away in time). This conclusion depends, however, on a judgment that successful development of such an advanced technology has a good chance to improve the defense's position in the balance between defensive measures and countermeasures. This last criterion may turn out not to be met even by the more advanced technologies for active discrimination and kill. For example, it continues to appear that everything that works well as a defense also works somewhat better as a defense suppressor. But the balance between offense and defense seems even less likely to shift in favor of the defense as a result of the nearer-term technologies than as a result of the more advanced ones. Thus, it is appropriate to increase the R&D emphasis on such programs as:

—optical technology, including, *inter alia*, the following elements: adaptive optics, i.e., adjusting the wave-front shape to compensate for distortions in the laser source and in the atmosphere; locking the phase of separate lasers together so their amplitudes add, greatly increasing the brightness; using one laser to drive another; phased-array lasers (for improving intensity, steering capability and atmospheric compensation);

—combining lasers and particle beams as a way of focusing the beam better;

—excimer and (especially) free-electron lasers, and the kill mechanisms based on those technologies; application of advanced optical technologies to chemical lasers;

—ground basing of lasers, and pop-up mirrors (which should be less vulnerable) or mirrors that unfold and that can be more easily deployed to make them less vulnerable as targets;

—verification technology for computer programs, fault tolerance, expert systems and automatic programming—in order to improve confidence in software;

—active and perturbing discrimination and other mid-course signature work (since the mid-course part of the flight gives the defense a longer time to act, *if* discriminants can be found for use by the defense); and

—survivability of space-based defensive components, especially sensors.

Bomb-driven X-ray lasers could be very effective because they could achieve very high brightness and medium beam

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width. But they are at such an early stage that the program, while deserving support, should be confined to demonstration of those two features. Rail guns may be useful but only if they meet very ambitious goals for speed, mass and multi-shot capability. Even then, conventional rockets accelerated to equally high speeds (and with correspondingly heavy propellant weight) may be competitive with rail guns; but neither is likely to be cost-effective.

Demonstrating the technology to achieve the above goals for X-ray lasers and rail guns should precede any consideration of a systems effort for them.

IX

In the light of the considerations set forth, what should be the emphasis of the SDI program? What should be the balance among systems design, component development, experimental demonstrations, and technology? What should be deemphasized or eliminated? These questions become more acute in the light of the substantial reductions in the funding of the research and development program from the proposals formulated in the Fletcher Committee Report of 1983.[6] Though congressionally approved funding is likely to exceed $2.5 billion in the current fiscal year, the scope of the program is so ambitious that schedules set only a year ago for systems decisions appear to be slipping, and some difficult choices about priorities will have to be made.

It would seem appropriate to emphasize technology that still needs to be proven and developed, rather than "spectacular" demonstrations—though at some point demonstrations would be needed to test the technology. Some technologies are sufficiently demonstrated, and the corresponding systems concepts sufficiently clear, so that engineering development could begin on them relatively soon. But doing so would make sense only after a decision as to the detailed nature and function of the defensive system.

1. Work is indicated to define the design of a ground-based terminal defense system, which could stand by itself or be a layer of a multilayer strategic defense system. This would involve updating the Spartan and Sprint missiles, and beginning

[6] The work of this committee, headed by Dr. James C. Fletcher, was published in the unclassified report, "Strategic Defense Initiative: Defensive Technology Study," U.S. Department of Defense, March 1984.

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work on the design of a non-nuclear interceptor. This system should have the capability of being deployed as a defense of the U.S. ICBM force, as well as serving as a component of a population defense if that should ever prove feasible.

Initiation of full-scale engineering development for such terminal defenses should be deferred for several years. This would allow two prior determinations. One is the technical and military feasibility (and political acceptability) of less vulnerable modes of ICBM deployment. The second is whether mutual reductions in the size of strategic offensive forces can be negotiated, to reduce the need for active defense of ICBMs. An appropriate schedule would be to get the technology ready for a possible 1988 initiation of full-scale engineering development, and a start of deployment in the 1993 time frame if such a decision is taken.

2. Space-based kinetic-energy weapons appear unpromising in the light of the almost certain offensive countermeasures, and therefore should be deemphasized, even though such a system is the only space-based one that could be reasonably well specified today. By the same logic, it would make sense to delay a decision on detailed specification of and initiation of full-scale engineering development on any boost-phase intercept system until 1994 or 1995. By that time enough ought to be known about the technology of the various directed-energy weapons to allow a more informed choice among them.

3. A full-scale technology program (phasing into development as particular technologies reach that stage) on boost-phase surveillance, mid-course surveillance and tracking is fully warranted. Boost-phase surveillance capabilities will augment early warning of attack; mid-course surveillance and tracking will augment attack assessment capabilities. These functions are justified even in the absence of a decision to proceed with active defense of population. Like the terminal defense development activities, they are consistent with restrictive interpretations of the ABM treaty. But they would also constitute the eyes of a strategic defense of population or of military forces against ballistic missile attack, should such a defense be decided upon.

4. A full program on adaptive optics, phase compensation and phase conjugation devices, phased-array lasers and related optical technology should be emphasized strongly, since obtaining the brightness and beam accuracies required for effective-

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ness even in the absence of offensive countermeasures depends strongly on these technologies.

5. The electromagnetic rail gun, bomb-driven X-ray laser, and (probably) neutral particle beam programs all belong in the preliminary technology stage. If they work they would be useful in specific functional areas of a strategic defense system, but they are in too preliminary a stage to justify putting them in the component development category.

6. The directed-energy weapons segment of the program should be tilted toward the excimer and (especially) free-electron lasers, with emphasis on ground basing the energy sources and consideration of space-based mirrors as the pointing mechanism. Work on space-based chemical lasers should emphasize ways of making them brighter—such as phased arrays—within the limitations imposed by space basing; it is probably too early to abandon chemical lasers completely.

This orientation of the program would, as a separate matter, delay conflict with the ABM treaty while permitting rapid development and even preliminary testing of technology. It corresponds to an acceptance of the judgment that the program dates are ambitious even for the more developed (and less promising) technologies, and concentrates on the less developed but more promising ones.

That approach would defer until after 1995 the decision on full-scale engineering development for the directed-energy boost-phase intercept segment of the program that could involve space-based components generating or transmitting very high energy densities. Such a schedule, however, might prompt concerns that it was so far in the future as to undermine congressional and public support for the program. But that factor works both ways. Though there is real public support for strategic defense, both the expert and congressional communities are doubtful about the vision of protecting populations from a nuclear attack by means other than deterrence through the threat of retaliation. They are also concerned about the potential negative effects of SDI on arms control. Moreover, even those defense tasks and system components that look most promising are subject to serious policy objections regarding their deployment or testing. Thus a sign of willingness to pursue a more modest track, with long-term goals, and more care about arms control, would probably favorably influence a decisive segment of congressional votes on program funding.

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To sum up, the near-term prospects for ballistic missile defense capabilities are reasonably well known. Technically, they appear cost-effective for defense of some kinds of strategic retaliatory forces. For defense of populations against a responsive threat, they look poor through the year 2010 and beyond. The prognosis for the longer term for this latter objective in the contest between defense and offense is less certain. It still looks questionable, at best, for the defense, because of some fundamental problems of geometry and geography, and the physics of offensive countermeasures and defense suppression in their contest with defense.

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Robert D. Hormats

THE WORLD ECONOMY UNDER STRESS

The year 1985 saw progress on several important fronts. The American recovery entered its fourth year; inflation continued its impressive decline and interest rates fell significantly. Washington took a more constructive approach toward the resolution of international economic problems. In much of Europe, wage and price increases were further slowed, business profitability was improved, budget deficits were cut and cumbersome regulations were loosened. Japan took new steps to liberalize trade and finance. The United States joined with Britain, France, Japan and West Germany to reduce exchange rate misalignments and bring greater order to the international monetary system. Growth picked up in some Latin American countries, and the world's two most populous nations, China and India, substantially increased market incentives.

But there were ominous trouble spots. The large U.S. budget deficit endangered future prosperity. A still very strong dollar penalized American industry and agriculture, and the U.S. trade deficit reached another historic peak. The United States became a net debtor to the rest of the world for the first time since World War I; by the end of 1986, U.S. foreign debt will likely exceed the foreign debts of Mexico and Brazil combined. Europe's efforts to cut joblessness also proved disappointing, and structural rigidities there slowed investment. The international trade picture grew more dangerous, as nations imposed import restrictions and increased subsidies, U.S.-Japanese frictions sharply intensified, and only limited progress was made toward beginning new multilateral trade negotiations. Latin America's debt remained a barrier to its development, a threat to its political stability, and a serious impediment to

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world growth. Much of Africa suffered from tragic food and nutritional problems and experienced continued economic deterioration.

Underlying many of the successes and problems of the year was the continuing decline in inflation that began early in this decade and represented a sharp reversal of the corrosive price increases of the 1970s. In the recent past, much of the borrowing, and large additions to productive capacity, by sovereign governments, manufacturers, farmers and other producers of primary commodities were based on the expectation that future sales would rise more rapidly than interest payments. Lenders provided financing based on similar assumptions. As determined anti-inflation policies in industrialized nations led to high real interest rates and slower growth, many economic sectors in the United States and abroad found themselves with excess capacity. This led to a further reduction in inflationary pressures, but also to declining revenues and a burdensome debt, the twin causes of the intense problems shared today by U.S. agriculture (now in a precarious financial situation), by the Organization of Petroleum Exporting Countries (which in 1985 abandoned its effort to fix prices in favor of an attempt to regain market share), and by many developing countries (whose commodity earnings have dropped abruptly).

But low inflation has also substantially improved the overall economic outlook: creating a healthier investment climate in most other sectors; enabling savers to receive high real rates of return, in contrast to negative real rates during part of the 1970s; and inducing many industries to become more competitive as they found it difficult to raise prices and thus pass on the cost of inefficient practices to consumers.

At the close of 1985 there are encouraging opportunities for further progress. Slow rates of inflation will provide many countries with a sound base for reinvigorating growth and investment. Lower oil prices will place additional spending power in the hands of consumers and further diminish price pressures. The U.S. world debt initiative, announced in the fall by Treasury Secretary James Baker, and the beginning of efforts to improve the international monetary and trading systems, should encourage a more purposeful focus on these subjects in the future. Remarkable advances in technology, science, medicine and modern management methods—coupled with a surge of energetic entrepreneurship—have injected a new vitality in the United States and other nations.

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But optimism must be tempered by recognition that the world also faces major dangers:

—a combination of historically unprecedented budgetary, trade and financial imbalances, along with enormous domestic and world debt, that will weaken the international economy and increase the chances of a major crisis if left uncorrected;

—a tendency to address symptoms rather than fundamentals, and thus to postpone difficult choices;

—a frequent underestimation by leaders of the degree to which their nations' prosperity depends on a viable world economic system and on effective international institutions that foster the orderly expansion of trade and financial flows; and

—an inability to appreciate fully the profound foreign policy and security consequences of a prolongation of pressing monetary, trade, and development problems.

The United States and other countries will need to come to grips with these problems in 1986.

II

More than at any time in this century, U.S. economic well-being depends on conditions abroad. At the same time, American economic leadership and prosperity in the United States are the sine qua non of a properly functioning world economy. And the enormous global impact of the United States' policies and currency produce a large-scale feedback that significantly affects—for good or ill—the U.S. economy.

America's strong recovery, and the surge in its imports in 1983 and 1984, helped prevent a far worse recession in Europe and a financial collapse in Latin America. Imports and capital inflows also held down U.S. inflation and eased financing of the American budget deficit. But their enormous magnitudes eventually led to a large trade imbalance and an overvalued dollar which, in turn, slowed U.S. growth.

Early in 1985, concerns arose about the weakness of the recovery. The Reagan Administration sought to achieve three major goals: to revive growth, to cut the budget deficit and to improve the trade balance. These efforts were directly related. The trade deficit was the single greatest cause of the economy's weakness. And the budget deficit, because of its impact on the dollar, was a key reason for this trade deficit.

Upon assuming office in 1981, the Reagan Administration

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had moved to stimulate economic activity through substantial tax cuts. A large budget deficit was helpful then because private spending and investment were weak. By 1984, however, robust economic growth had made a large deficit inappropriate; that was the optimum time for major debt reduction. But the President held out hope that further growth would generate revenues sufficient to reduce the deficit, and that spending reductions would do the rest. Democratic candidate Walter Mondale's assertion that a sharply lower deficit could not be achieved without a tax increase generated little popular enthusiasm during the presidential campaign.

Valuable time was lost. Much could have been accomplished if the President, consistent with his support for a balanced budget amendment to the Constitution, had submitted a more balanced budget to the Congress. Instead, his budget contained another massive deficit. Ultimately neither the President nor the Congress was willing to support tax increases or major program cuts in the election year. The deficit for Fiscal Year 1985 reached a record $185 billion: 5.5 percent of U.S. gross national product.

The President's landslide victory underscored the public's distaste for a tax increase to reduce this deficit. The 1985 budget debate instead focused primarily on how to limit expenditures. An impasse continued into the summer, largely because of a confusing series of political stalemates, with the President blocking some of the bolder deficit-cutting initiatives by Congress.

For a time, pressures to cut the deficit were muted, as the large inflow of foreign capital helped to avoid higher interest rates and prevent a "crowding out" of private investment. But by early August, public opinion had become critical of inaction in Washington. These pressures ultimately induced Congress and the President to agree on a plan to cut expenditures by $55.5 billion in Fiscal Year 1986, still leaving a budget gap of over $171 billion. Official projections of the deficit for 1987 and 1988 were $154 billion and $112 billion respectively. Doubts were expressed that individual appropriations bills would conform to this legislative blueprint. Moreover, these projections appeared to overestimate U.S. growth—and thus government revenues—and to underestimate interest expenses.

Congress again addressed the deficit in the fall of 1985, this time taking the bolder and decidedly more controversial step

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of setting annual deficit ceilings intended to decline until a balanced budget was realized in 1991. While the intent of the Gramm-Rudman legislation is constructive, it amounts to an attempt to avoid difficult choices by substituting an automatic procedure for a conscious and more politically exposed effort to set priorities among individual programs. It threatens some important U.S. security and social objectives while placing others in a permanently "untouchable" category. The most desirable outcome of this experiment would be to force the American public and its leaders to face up to the fiscal facts of life, previously obscured by wishful thinking that economic growth would make the deficit go away. When it becomes apparent that vital programs are being undermined, there will need to be a responsible debate over priorities: where to cut expenditures, and whether, after maximum cutting consistent with U.S. military and domestic objectives, the national interest in a smaller budget deficit would not also be served by a tax increase. The recent fall in the price of oil provides a remarkable opportunity to enact at least a temporary tax on oil with no inflationary impact.

In the meantime, the government continues to provide more services to the American people than it is willing to ask them to pay for. It diverts private savings away from productive investment, and thereby jeopardizes long-term growth prospects. Future interest payments will limit the potential for tax reductions and preempt government funds that could be used for defense or domestic needs. Political leaders will be reluctant, or unable, to apply fiscal stimulus to get out of the next recession, and coming generations will be forced to pay more taxes, accept fewer government services and risk higher inflation.

Because the large budget deficit prevented the use of additional tax cuts or new spending to revive flagging growth in 1985, the major responsibility for nurturing the recovery fell to the Federal Reserve System. Arguably, the Federal Reserve itself had previously underestimated the economy's weakness and the drag caused by a growing trade deficit. Beginning in the spring, however, it permitted a surge in the money supply (M1) to help reinvigorate growth. In July it widened the range for monetary growth and raised the base on which it is calculated. More confident than in the recent past about the noninflationary course of the economy—and more concerned about the economy's weakness and the sapping effect of the

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trade deficit—the Federal Reserve calculated that faster monetary expansion was in order, with the implied commitment to hold down interest rates and the dollar's foreign exchange rate.

The Federal Reserve paid considerable attention during this period to the negative impact of the high dollar. As Chairman Paul Volcker put it in July congressional testimony: "The potential effects of interest rates and decisions with respect to monetary policy on exchange rates and the external sector of the economy have necessarily been a significant ingredient in FOMC [Federal Open Market Committee] deliberations." Specifically, Volcker added, the Federal Reserve's "decisions with respect to providing reserves and reducing the discount rate have been influenced to some extent by a desire to curb excessive and ultimately unsustainable strength in the foreign exchange value of the dollar."

The Federal Reserve's flexibility in taking steps to boost growth contrasted sharply with the political gridlock that prevented the combined makers of fiscal policy—the President and the Congress—from moving expeditiously to cut the budget deficit. But there is a danger in expecting too much of the Federal Reserve. In the past, political leaders have tended to believe that budget deficits can continue for a lengthy period. Rather than taking the political heat of cutting expenditures or raising taxes, they have turned to the Federal Reserve to ensure a money-supply increase sufficient to avoid high interest rates, at least in the short term. Over the longer term this has proved to be an unstable solution; it ultimately creates enormous inflationary pressures. It is to avoid being put in this uncomfortable position that the Federal Reserve, with its long institutional memory, has so strongly warned about the need to curtail the budget deficit.

III

A major aspect of Washington's effort to strengthen the U.S. economic recovery was its attempt to reduce the nation's trade deficit by encouraging accelerated investment, growth and imports abroad, notably in Europe and Japan. In a speech at Princeton University prior to the Bonn economic summit in May, Secretary of State George Shultz urged Europeans to "adopt policies that reduce the obstacles to change and innovation, that attract capital, and that stimulate domestic investment," and urged Japan "to stimulate investment, otherwise

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make greater use of its large pool of savings," and reduce trade restrictions.

The majority of European governments have pursued conservative economic policies for much of this decade. In order to avoid a repetition of the high inflation of the 1970s, Britain, Germany and several other European nations brought down budget deficits and restrained money-supply growth. In France, significant stimulus early in the presidency of François Mitterrand created severe balance-of-payments difficulties; these in turn led to a policy of greater stringency to which the French government has continued to adhere. Italy has emphasized the reduction of inflation, although government deficits continue to exert upward pressures on prices. In Scandinavia, the Netherlands, Spain and Portugal, leaders have stressed greater fiscal prudence, in some cases departing sharply from earlier zealous expansion of social programs.

But Europe still has problems. A *Financial Times* editorial emphasized: "Europe needs a more invigorating climate which will stimulate existing industries to deploy their resources more productively and enable new ones to flourish." Europe's weakness in world high-technology markets is a particular concern. Its inability to create a true common market free of barriers to internal trade impedes efficiency and economies of scale. Its governments continue to discriminate against foreign (including other European) suppliers, particularly in the telecommunications sector. Agricultural subsidies, costly to consumers and taxpayers, divert resources from more productive uses.

Promising steps were taken in December when the leaders of the European Community, at their Luxembourg summit, set the end of 1992 as the deadline for achieving the reduction in internal barriers, harmonization of standards, and elimination of nuisance regulations necessary to make the Community live up to its name as a region in which goods, services, workers and competitive forces can move about freely. Europeans increasingly appear to be aware that denying their industries the economies of scale offered by their large continental market puts them at a disadvantage vis-à-vis the United States and Japan. It is the resulting improvements in efficiency and growth, combined with an attendant increase in the attractiveness of investment, rather than tinkering with the labor market by such illusory devices as cutting the workweek, that will provide the most promising way to reduce Europe's 11.5 percent rate of unemployment.

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Such changes are necessary to improve the medium-term outlook; they cannot be counted on to generate increased economic activity right away. However, Europe has been cautious about attempting to boost growth by applying too much fiscal stimulus. In the Netherlands, Italy and France, budget deficits are already large, and thus big increases in government spending or big tax cuts are inappropriate. Many European leaders feel that recent progress in slowing price increases and reducing inflationary expectations would be reversed by new stimulus. The success of West Germany, which has maintained steady budgetary discipline, in restoring noninflationary growth has surely strengthened this line of thinking.

But progress in stabilizing prices, coupled with the windfall of lower oil costs and the lower dollar, now offers European countries greater scope for tax reductions with less inflationary risk. West Germany plans modest tax cuts in 1986 and 1988; other countries with low budget deficits and high unemployment, such as Britain, are considering a similar approach. Prudent, well-structured tax cuts could provide an additional incentive to new investment and growth. It is probably politically counterproductive, however, for the United States, with its string of record budget deficits, to push the Europeans to go faster in this direction than they feel comfortable in going.

The fall in the dollar, in U.S. interest rates and in oil prices provide an opportunity for still further relaxation of monetary policy. The Deutsche Bundesbank, the Nederlandsche Bank and the Banque de France, among other central banks, eased monetary constraints in 1985 relative to 1984. These recent economic developments provide additional possibilities for doing so without jeopardizing the price stability that Europe correctly regards as important.

Issues on the U.S. agenda with Japan differ considerably from those with Europe. Japan's economy has performed impressively over the years; alarmed by a large public debt, it has substantially reduced its government deficit. Its net personal savings rate is several times that of the United States. It has a history of low unemployment, low inflation and flexibility in reallocating resources to foster their efficient use, and recently has undertaken important financial liberalization. But Japan's substantial excess of savings over investment has resulted in an outflow of capital that has contributed to the dollar's strength and the yen's weakness. Access to its market has proved difficult

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for many foreign companies. And Japan has been overly dependent on demand abroad for its growth.

In July Prime Minister Yasuhiro Nakasone announced an initiative to improve access to his country's market, including lower tariffs, relaxation of inspection procedures, easier licensing rules, and broader opportunities for foreigners to compete for government contracts. He also recognized the strong Japanese consumer loyalty to domestic products, and the complexity of supplier relationships when he stressed the need "to change . . . the public's attitude toward domestic and foreign goods." He noted that "efforts to expand domestic demand are required together with market liberalization." The prime minister followed up by appointing a high-level commission to recommend ways in which Japan can contribute to a better international equilibrium.

Washington's reaction to this package was less than enthusiastic. Business and political leaders expressed concern that U.S. exporters would not see quick results even if the measures were promptly effected. Nor, many felt, would the quantitative impact be significant unless domestic demand in Japan grew more rapidly. Such concerns reflect deep frustrations. This initiative should help; but the problem, as the prime minister's statement suggests, is structural.

Japan has a savings-intensive economy and is a major exporter of capital. The United States, on the other hand, has a credit-intensive economy. It has a low personal savings rate and requires enormous capital imports to finance private and government borrowing. As long as a large savings-investment imbalance continues, the dollar will be relatively strong vis-à-vis the yen, and the United States will have a sizable trade deficit with Japan. An increase in tax incentives to encourage new investment, particularly in elements of social infrastructure such as housing, could enable Japan to use more of its capital at home and thus help relieve exchange rate and trade pressures. And both the United States and Japan will need to reexamine their tax systems: the United States should reduce artificial incentives to borrow and disincentives to save, and Japan should reduce artificial incentives to save and disincentives to invest.

Continued investment by Japanese companies in production in the United States—which has already become a significant source of jobs in a number of states—is also a constructive use of Japanese savings and a contribution to reducing the trade

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imbalance. Another structural concern, the historically close ties between Japanese suppliers and purchasers, can be partially redressed by permitting a number of foreign firms to participate in government-sponsored research. For their part, American companies will need to make investments in time, language training and follow-up service—and the modifications in product design—required to take better advantage of new opportunities in Japan.

With so much focus on Japan and Europe, America's largest single trading partner has received remarkably little attention. The U.S. current account deficit with Canada was second only to that with Japan. Ottawa's large budget deficit, however, stimulated Canadian growth in 1985, which increased imports from the United States. The government of Prime Minister Brian Mulroney also took a more open approach to foreign investment and adopted a less nationalistic energy policy. Both steps helped to dampen frictions with the United States that in past years had surrounded those controversial issues. While there were disputes over lumber, steel, potatoes and publishing, Americans lodged far fewer complaints against Canada than against Europe or Japan. U.S.-Canadian moves to negotiate a bilateral trade liberalization agreement, which began under former Prime Minister Pierre Elliott Trudeau and continued under the current government, could help to expand two-way trade. Negotiations also present an excellent opportunity to address lingering differences over the treatment of investment. These concerns are especially important to American interests, just as secure access to the U.S. market is important for many Canadians.

IV

The persistence of exchange rate and trade imbalances in 1985 led to unprecedented international frictions over trade policies. Demand for import curbs reached a post-World War II high in the United States. Over 300 bills were proposed in Congress to restrict imports and deter a variety of trade distortions abroad.

Several major factors contributed to these intense trade pressures. As tariffs were cut in the 1960s and 1970s, subsidies, safety and other standards, large research grants, and "buy national" preferences became growing impediments to world trade. Unlike tariffs, which are highly visible and act at the border, these were built into economies and were difficult to

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quantify. Many were harmful to U.S. interests. Underlying changes in the world economy, such as the growing food output of large traditional importers like China and India, and the rapid international diffusion of technology and modern production capacity, also cut into the growth of U.S. exports. The deterioration in the U.S. trade balance after 1981, a loss of market share in important areas, and alarm about a weakening of the U.S. industrial base sharply heightened American concerns.

The Reagan Administration added to the frustrations felt in Congress and the private sector. It had tried to cut funding for the Export-Import Bank, eliminated trade adjustment assistance to firms and workers, and until late September adopted a cavalier attitude toward the consequences of the greatly overvalued dollar. While resolutely and correctly resisting new restrictive trade legislation, the Administration also rejected as "protectionist" other requests for redress under existing legislation that could have been justified according to the rules of the General Agreement on Tariffs and Trade.

The GATT, it may be recalled, recognizes that open trade can be preserved only if governments can, from time to time, temporarily moderate injurious surges in imports, and counteract dumping and subsidies. Existing U.S. law contains tools sanctioned by the GATT to deal with the vast majority of the trade problems that Americans face. The Administration's frequent unwillingness to use these tools, however, has increased congressional support for precisely the type of legislation the President dislikes.

Many influential political and business leaders who had historically opposed protectionist measures pressed for tougher legislation to compel the executive branch to be more assertive, bring about changes in trading practices abroad, "shock" other nations into negotiations as the Nixon surcharge had done in 1971, and build up bargaining "chips" to strengthen the U.S. negotiating position.

The thrust of administration policy was to try to reach an international agreement to begin a new round of multilateral trade negotiations. This, it reasoned, would reduce congressional pressures for new restrictions and provide an opportunity to confront the glaring failures in the world trading system. Although it deserves great credit for its leadership in pressing for these much-needed negotiations, the Administration mis-

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calculated the difficulty of obtaining international and domestic support.

The U.S. initiative, although essential to generating international momentum toward trade negotiations, led other nations to see the United States as a *demandeur*. Several sought to extract a "price" from Washington before agreeing to negotiations, even though reversing the deterioration in the world trading system is at least as important to the United States' trading partners as it is to the United States. A few European countries wanted prior U.S. endorsement of international monetary talks. At the July economic summit in Bonn, this issue blocked agreement to begin a new round of negotiations in 1986. Throughout most of 1985 key developing countries insisted that, as a precondition, the subject of trade in services either be eliminated or considered separately from manufactured goods, because they felt that they were less competitive in services than in other products. At home, the U.S. business community, labor and Congress were concerned that too much emphasis had been placed on multilateral negotiations, which promised only distant remedies at best, and too little on addressing the more urgent problems of the dollar and foreign trade restrictions.

Recognizing the weakening of domestic support for its position and the growing threat of tough congressional legislation, the Administration in September filed cases under Section 301 of the U.S. Trade Act of 1974 (which addresses unfair trading practices) against the European Community, Japan, Korea and Brazil, proposed a $300 million fund to enable the United States to match foreign subsidies, and pledged greater efforts to eliminate foreign trade distortions. These steps, along with a successful effort to reduce the dollar's exchange rate, took some steam out of pressures for protective legislation. Notwithstanding these efforts, however, Congress passed a bill (which the President vetoed) to limit textile and other imports. And there is a high probability that early in 1986, especially after the unprecedentedly high trade deficit figures for 1985 are announced, new attempts will be made to enact stronger legislation. Trade is likely to be one of the top domestic political issues in 1986. Several "omnibus bills" have already been introduced that link a congressional mandate for a new round of trade negotiations to requirements that the President act more assertively to secure the dismantling of foreign barriers to U.S. exports; these bills also force the President to provide

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import relief in certain cases where he now has discretionary authority to deny it.

Whether the more activist administration policy would succeed in securing more open markets for U.S. products remained unclear at year's end. Also unclear was whether the United States would take the domestic measures necessary to improve its underlying international competitiveness. The tax reform debate of 1985, which should have been seen as an opportunity for doing so, inadequately addressed questions of productivity, investment incentives and the U.S. personal savings rate. (The low savings rate, which during 1985 reached a postwar nadir of less than three percent, contributed to the need to import funds from abroad, and thus to the strong dollar.) The Administration's tax proposal and the bill that was approved in the House of Representatives—in their commendable effort to cut marginal taxes—would also harm a number of industries already under heavy international competitive pressures, provide less favorable tax treatment for depreciation, and place a heavier burden on much of the productive sector. The lower marginal tax rate and limits on the deductibility of interest payments, unfortunately too watered down, will mean a welcome reduction in the public's incentive to borrow. But other measures, for example stricter tax treatment of payments to pension funds, will discourage savings.

While the tax bill has many strengths, the government's commitment to improving the U.S. trade position will come into serious question if the final package weakens the foreign competitiveness of U.S. business. A thorough assessment of the trade implications of proposed legislation should be an early priority in 1986, lest the United States exert a major international effort to improve access to foreign markets only to find that a new tax law makes it less able to take advantage of that access.

Internationally, the persistence of U.S. Trade Representative William Brock and his successor, Clayton Yeutter, was rewarded in December by agreement among GATT members to begin preparations for a new round of trade negotiations and to set September 1986 as the date for a meeting of trade ministers to formally launch those negotiations. This was a major step forward. But it remains uncertain whether negotiations will seriously address U.S. priorities such as services, agriculture, intellectual property and government subsidies—or, for that matter, the priorities of any other country. Little

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consideration seems to have been devoted, in the United States or elsewhere, to the question of precisely what should be offered in return for the concessions sought from others.

In order to put these negotiations on a sound footing, and improve confidence that they will produce results, governments must do a far better job of explaining to a skeptical public the vital role that expanded trade has played in postwar prosperity, and of emphasizing the declines in growth and employment that would result from the deterioration of world trade.

Deeply ingrained attitudes will need to change: many U.S. trading partners appear to believe that the relatively small size of their economies permits them to protect their markets without hurting the worldwide trading system, while the United States, because of the enormous international impact of its economy, is urged to exercise a unique self-restraint. Large numbers of Americans may have convinced themselves that the United States is virtually free of trade barriers and can obtain vastly increased access to markets abroad with few concessions on its part. And many developing countries feel that they can obtain major concessions from industrialized nations while making only minimal efforts to liberalize imports. For negotiations to succeed, misconceptions such as these will have to be dispelled. The President of the United States and other heads of state must be willing to personally support the process as well as bring their influence to bear on one another—much as they do on strategic issues—to ensure maximum progress in the negotiating process.

To achieve needed liberalization of international trade, negotiators will need to adopt improved "safety valves" to enable governments temporarily to limit imports that cause injury to domestic industries and workers. To prevent abuse, negotiations will also need to provide tighter rules for international monitoring of adjustment measures by the protected industries, so that the duration of any such restraints is limited. Dispute-settlement procedures, the slowness, ambiguity and evasions of which undermine the credibility of the trading system, will need to be improved. Unless grievances—that is, charges of rule violations—can be expeditiously resolved, the negotiating process will be undercut by concerns over the difficulty of obtaining redress when others fail to fulfill commitments. And the major developing countries will need to participate actively in the negotiations. They are among the world's fastest-grow-

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ing markets and most active competitors. Failure to agree on an appropriate balance of benefits and responsibilities with them would condemn the trading system to frequent disputes and disruptions.

So far, progress toward negotiations has resulted more from a desire to prevent a collapse of the trading system than from a common vision of how to improve it. Yet unless genuine improvements are made in the near future, there is a great risk that the trading system will erode further. If they are not, the United States, and perhaps other nations, might increase import barriers and negotiate a series of restrictive bilateral agreements. Such steps could provide the necessary shock to induce nations to negotiate more purposefully to improve trading rules and reduce barriers. Alternatively, they might set the world on a downturn reminiscent of the post-Smoot-Hawley period of the 1930s.

V

The exchange rate of the dollar was one of the salient domestic and international issues of 1985. It had a profound and pervasive impact on jobs, production, inflation and interest rates in the United States and virtually every other country. No sector was immune from its costs or benefits, or from the deep uncertainties surrounding its future course.

Until only recently, President Reagan had extolled the strong dollar as demonstrating the strength of the U.S. economy. The Administration had appeared virtually oblivious to the burden it imposed on American business and labor. In late September, however, Treasury Secretary Baker and Federal Reserve Chairman Volcker, and their counterparts from France, Germany, Japan and the United Kingdom (the Group of Five), agreed in a meeting at the Plaza Hotel in New York that "further orderly appreciation of the main non-dollar currencies against the dollar is desirable," and that they would "cooperate more closely to encourage this." The United States thus departed from its previous position of intervening only to counter extremely disorderly markets; it now agreed to do so where currencies did not reflect fundamental conditions.

This agreement was largely a political decision: a constructive effort by the United States and its partners to forestall restrictive trade legislation in the United States. It also served to bring greater order to the international monetary system. Because it was reached at a time when the markets were already

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pushing the dollar down, because the U.S. commitment was seen to be genuine, and because easier monetary policy by the Federal Reserve was, in any case, anticipated to revive a sluggish American economy, the "Plaza pact" triggered a dramatic drop in the dollar. Subsequently, central-bank intervention and an increase in Japanese interest rates sustained the correction of currencies. The dollar fell to 200 yen, compared to its early 1985 level of 260 yen, and to 2.5 deutschmarks from 3.4 deutschmarks in early 1985.

The dollar's decline at the end of 1985, while still leaving it at a historically high level, has already led some foreign suppliers to raise prices in the United States in order to avoid a fall in profits after translation into their domestic currencies. Many American companies are well positioned to take advantage of a more favorable dollar exchange rate because they have improved their efficiency during the period of the strong dollar by cutting overhead, paring labor forces and improving inventory management. A lower dollar should permit such companies to be significantly more competitive with foreign producers. On the other hand, there is a danger that foreign companies that have become accustomed to the artificial support of their nations' undervalued currencies will seek protection or subsidies to offset currency shifts.

Moreover, the dollar's strength has been a factor in the closing of factories in the United States, the siting of new production abroad and substantial "outsourcing." The lingering effects of these developments will reduce the ability of the United States to respond to a better alignment of currencies. Foreign suppliers that have gained a firm foothold in the United States by developing strong distribution systems during this period will be in a good position to withstand an appreciation of their national currencies.

The longer the overvaluation of the dollar lasts, the greater will be the fall required. The growing foreign debt of the United States can only be serviced if it earns the necessary funds through a major improvement in its current account balance. The greater the debt, the more sizable the required dollar depreciation. A dollar decline that is too rapid or too great, however, would contain its own perils. It could trigger a dangerous surge in inflation and reduce the willingness of foreigners and Americans alike to hold dollar-denominated securities, leading in turn to higher interest rates and the chances of a severe economic slowdown. Concern that the

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buildup of foreign debt will trigger an erosion of confidence and a fall in the dollar, and thus increase inflation and interest rates, is a risk factor keeping interest rates high in the United States.

Furthermore, hope for a turnaround in the U.S. trade position should not be pinned too heavily on the dollar's decline. Over 40 percent of the U.S. trade deficit is with developing countries. Their currencies have not appreciated very much against the dollar; many have in fact fallen. For most debt-ridden countries it is not their exchange rate but a lack of financing and a slow growth rate that limit their imports of American goods. In the final analysis, it is increased domestic demand abroad, more than exchange rate movements, that would give the greatest boost to U.S. exports.

Japan's dilemma illustrates this. Japan raised its interest rates shortly after the Group of Five agreement in order to strengthen the yen vis-à-vis the dollar, but in so doing it chanced weakening its domestic consumer demand. This in turn risked slowing the increase in Japan's imports and impeding the decline in its trade surplus that the stronger yen was intended to promote. Recognizing this danger, Japan eased monetary policy at the year's end.

Were Japan's economy to turn sluggish this year, its bilateral trade imbalance would remain a major source of friction. Overall, however, stronger growth in West Germany and other parts of Europe, coupled with modest improvements in Canadian and Latin American recovery, a lower U.S. oil import bill, and the benefit of the dollar's decline, should lead to a strengthening of the U.S. trade position during the course of 1986.

The Group of Five agreement, followed in November by a conference sponsored by Congressman Jack Kemp (R.-N.Y.) and Senator Bill Bradley (D.-N.J.) to explore alternatives to floating exchange rates, focused attention on the long neglected subject of monetary reform. After the breakup of the Bretton Woods system in the early 1970s, negotiations were begun to find a replacement. The oil crisis brought with it a period of instability in which reestablishing parities, or any other system with firm exchange rate commitments, would have been difficult. The floating rate system was accepted by default. Now, recognizing that it is no better able than its predecessor to prevent serious misalignments, and in fact may have added to the risk of international transactions, governments are searching for ways to increase stability. In 1971 the

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large U.S. trade deficit and the overvaluation of the dollar had forced the United States to abandon the Bretton Woods system. Precisely the same factors have generated the current interest in the United States in finding a replacement for floating exchange rates.

There is an understandable yearning for a return to fixed exchange rates. In the past they provided a useful "anchor" for the world economy and a measure of discipline to domestic economic policy. And because trade has become increasingly important to the U.S. economy—11 percent of GNP today as compared to five percent two decades ago, with exports accounting for 40 percent of agricultural sales and most manufactured goods facing strong international competition—stable exchange rates are of greater importance to a greater number of Americans than in years past.

But fixed rates will be difficult to restore. First, they were most successful during periods when countries maintained capital controls; recent liberalization of capital markets and the introduction of new technologies have given capital enormous mobility. Second, while governments regard stable and properly aligned currency rates as important to their domestic economies, most are reluctant to subordinate other domestic policy goals to that of keeping currencies fixed in some previously established alignment. Third, the volume of international capital has grown dramatically since 1972, the last year in which governments tried to maintain fixed rates. In that year the volume of international syndicated lending was $7 billion, in 1985 it amounted to roughly $55 billion; in 1972 the Eurocurrency market was about $200 billion, now it is over $2.5 trillion.

While a move to fixed exchange rates appears unlikely in the near term, a number of reforms could substantially increase currency stability. The central elements of a more stable system may have been foreshadowed by recent events. The commitment of the Group of Five to "encourage further orderly appreciation of the main non-dollar currencies against the dollar" reflected its view that inflation and interest rates had converged downward but that currency alignments had not reflected these developments. Underlying this conclusion must have been some measure of agreement on what constituted more appropriate currency relationships, particularly for the dollar and yen. This in itself marked a first for the United States under this administration.

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Having taken this step, the next logical one would be for the Group of Five to agree on a set of implicit targets for the major currencies. Such targets would serve primarily as a point of focus for achieving greater compatibility among the economic policies of these countries, and secondarily as a point of reference for currency intervention if exchange rates were to diverge too far from fundamentals. The European Monetary System has helped to restrain currency volatility in Europe, not so much by forcing exchange rate intervention as by averting serious policy divergencies and, in particular, by encouraging efforts to restrain inflation. A similar procedure among the members of the Group of Five should chiefly aim at avoiding unsound or incompatible monetary and fiscal policies. It should also seek to reduce radical divergencies in tax and regulatory policies that lead to vast differences in incentives (or disincentives) to save, borrow, invest, or create credit. Because most other currencies are directly or closely linked to those of the Group of Five, this process would have a stabilizing effect on a wide range of exchange rate relationships.

VI

A persistent danger facing the world economy during 1985 was the high debt of many Third World nations and its disruptive impact on their development. Earlier emergency rescue packages, debt reschedulings, policy improvements in several highly indebted nations, and the strong U.S. recovery had prevented a major collapse. But in 1985 growth slowed in the United States (which has absorbed most of the recent export growth of developing countries), and demands for new import restrictions intensified in industrialized nations. Commodity prices fell (by 8.6 percent against a basket of currencies, according to *The Economist*'s Commodity Price Index), the oil price collapse dealt a major setback to Mexico (already disrupted by a major earthquake) and other oil exporters, and concerns about social stability grew as the result of unemployment levels of over 20 percent and inflation rates of over 100 percent in many Latin American countries. Finally, there were fears that other countries would follow the example of Peru's recently elected president, Alan García Pérez, who announced his intention unilaterally to limit his country's debt service to a fixed percentage of export earnings.

U.S. world debt policy underwent an important change in October. Its previous emphasis had been to encourage debtors

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to take tough austerity measures and to support the central role of the International Monetary Fund in promoting and assisting countries to attain these goals. But, notwithstanding the pivotal role the IMF played in averting a major crisis after 1982, attitudes toward it had soured in some indebted countries because of the difficult adjustments with which its programs were associated. In addition, voluntary lending by commercial banks had not picked up as the indebted nations expected; in fact, it had shrunk for some indebted countries. And while many had improved their trade balances by constraining growth and devaluing their currencies, they had made too little progress in reducing subsidies and budget deficits, sustaining market-related exchange rates, or improving the investment environment. External adjustment had proved easier than internal adjustment.

Secretary Baker, at the annual meeting of the World Bank and the IMF, presented an initiative to reverse what he correctly considered a deteriorating situation. His "Program for Sustained Growth" urged debtor countries not only to implement sound fiscal and monetary policies, but also to strengthen their private sectors, mobilize more domestic savings, facilitate investment, liberalize trade and pursue market-oriented approaches to currencies, interest rates and prices. The World Bank was encouraged to provide more funds, and to disburse them more quickly, to support these structural policy improvements and supplement continued balance-of-payments lending by the IMF. Commercial banks were asked to lend $20 billion over three years in support of the sought-after improvements in the performance of 15 of the major indebted nations.

The Baker plan finally put the United States on the correct side of the issue. By recognizing that the debt crisis had become a development crisis, and by stressing the importance of reviving growth and pressing for increased lending, it improved U.S. credibility with debtor nations. By underscoring the need for policy improvements in these nations it addressed a major economic imperative and a legitimate concern of creditors. And by underlining the need for indebted countries to establish confidence in the private sector sufficient to reverse capital flight—which in past years was extremely large in Venezuela, Mexico and Argentina—it addressed a particular concern of the Congress, which finds it difficult to justify programs to support countries whose own citizens are sending capital abroad. Indeed, new lending without the policy improvements

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and private-sector confidence necessary to ensure that these funds were well utilized would simply worsen the debt problem.

Implementation of the Baker plan will be difficult. Most highly indebted countries have little appetite for further politically sensitive policy corrections. Cuts in government payrolls and subsidies to state enterprises, which are necessary to reduce budget deficits and improve competitiveness, have run into stiff political opposition. And the private sector in many parts of Latin America is often forced to take a back seat to state enterprise when it comes to access to new financing.

In this environment commercial banks, while basically supportive, demonstrated caution about making new loans without evidence of genuine policy improvements. Having lowered exposures in Latin America as a percentage of their capital, and under fire from regulators, stockholders and boards of directors, many are reluctant once again to increase what they see as risky loans. U.S. money-center banks are concerned that regional and foreign banks will not participate, leaving them even more exposed.

Though Mexico had seemed an obvious first beneficiary of the Baker program, the Administration moved Argentina to the head of the queue. Argentina had already made a number of tough fiscal and currency reforms, and the United States saw it as the most viable prototype to convince other nations that they could gain by participating in the process. Mexico, the third-largest U.S. trading partner and a country whose economic, social and political stability is of enormous domestic importance in the United States, must still be considered a priority candidate. A Mexican financial collapse would pose a foreign policy problem for the United States that would dwarf all others.

The United States also began a major effort to bolster the role of the World Bank in dealing with the debt problem. The World Bank's direct lending, cofinancing, and guarantees will be of central importance to the success of this initiative; Bank programs can provide a vital catalyst by making commercial banks feel more comfortable about new lending.

The Bank's affiliate, the International Finance Corporation, was encouraged by Baker to play an active role in strengthening the private sector in developing nations. In 1985, for the first time, the IFC participated as lead manager of a Eurobond issue for a Latin American borrower. And it is utilizing imaginative techniques to increase equity investment in companies in de-

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veloping nations. Both methods help the private sector in these countries to tap the increasingly international-minded, several-trillion-dollar pool of institutional capital. The World Bank will also establish a Multilateral Investment Guarantee Agency to protect foreign equity investors in Third World countries against noncommercial risk.

Support from Europe and Japan will also be of major importance. Their banks collectively have a bigger share of the overall exposure in Latin America than do U.S. banks. Although many have shown more prudence than U.S. banks by putting aside larger loan loss reserves against the possibility of default, they still have a large stake in the success of this initiative. Europe and Japan need to find ways to increase both official export financing and their share of imports from heavily indebted nations. Japan could make a particularly important contribution to this effort; the Tokyo economic summit in the spring of 1986 will provide it with an excellent opportunity to launch a program to provide untied, low-interest trade credit to finance imports for nations that pursue appropriate adjustment policies. That demonstration of leadership—a positive complement to the Baker plan—would ease world trade tensions.

Congressional support for new funds will not be easily forthcoming during a time of budget cutting—as the recent record clearly demonstrates. Yet a substantial increase in the capital of the World Bank and the Inter-American Development Bank, and later the World Bank's soft-loan affiliate, the International Development Association, will be required if this initiative is to succeed. Likewise, more loans and guarantees by the U.S. Export-Import Bank will be needed to help indebted countries to overcome bottlenecks resulting from the inability to finance needed imports.

In many countries debt service payments are growing more rapidly than export earnings and greatly exceed new capital inflows. Large and prolonged net outflows of funds, absorbing in some cases 50 percent of export receipts, are incompatible with Secretary Baker's objective of restoring growth in heavily indebted nations and with U.S. interests in ensuring stability there. The Administration will need to use at least as much political capital to obtain additional funds for these countries as it has in seeking aid for Central America. The political and economic stakes are considerably greater.

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VII

Historic economic and technological developments have combined in this decade to bring about unprecedented change within and among nations. The intensity and pace of international economic integration, combined with rapid advances in technology, have outpaced the ability of governments and institutions to cope. Decisions of governments must be made in a national political context, while markets, trade, finance and technology are international. The distinction between domestic and international economic policy has all but disappeared. Unless the international economic system can be made to work more effectively, and interdependence can be better managed, a proliferation of nationalistic policies will threaten world growth.

These issues are closely linked to broader political and security considerations as well. Slow growth and high unemployment in Western Europe, and economic frictions with the United States, weaken NATO's cohesion. That is particularly important to the United States at this time. It will need strong Western unity as it seeks to reach agreement on arms reductions with the Soviets. Progress in reducing U.S.-European economic tensions removes an important issue that Moscow could use to promote dissension within the alliance. Weak growth in Europe would limit funds available for defense, thus reigniting the debate over burden sharing and producing friction in transatlantic relations.

In East Asia, as the Soviets seek to develop the economic resources of eastern Siberia, improve relations with China and Japan, and build on their considerable naval presence at Vladivostok and Cam Ranh Bay, they may well seek to take advantage of trade frictions between the United States and its East Asian trading partners by holding out prospects of expanded investment and trade ties. And Latin American debt—which threatens the stability of Mexico and other large countries in this hemisphere—carries serious implications for U.S. security, immigration and political well-being.

International economic issues have moved to the top of the domestic and foreign policy agenda. After World War II, the United States assumed a leadership role as chief architect of the institutions that were to become the basis for future prosperity. The time is ripe for a similar demonstration of leadership to address the new problems of a dramatically changed

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world economic environment and ensure that our institutions are prepared to cope with future demands.

Each generation sows the seeds of the difficulties of the next. Heavy dependence on imported oil in the 1960s led to the oil price crisis of the 1970s. Inflation in the 1960s and 1970s led to the wrenching adjustments of the early 1980s. Rapid growth of Third World borrowing in the past led to the debt problems of today. The current buildup of U.S. government, corporate, consumer, agricultural and foreign debt portends slower growth in the future and raises concern that the United States will feel pressed to "inflate" its way out of these debts. This several-trillion-dollar mega-debt makes the U.S. economy highly vulnerable to increased interest rates and to serious financial disruptions. It could well be the Achilles' heel of the present recovery. Exchange rate misalignments and large trade imbalances foreshadow painful adjustment problems. Continued deterioration of important Third World economies risks economic and political instability and would impede future world growth. Inadequate efforts to strengthen international institutions could deprive the United States of its vehicles for addressing international economic problems in coming years.

The United States took steps to address some of these issues in 1985. But there are dangers ahead should that momentum falter or key nations fail to come to grips with the fundamental problems before them. The noted historian Arnold Toynbee wrote that years from now the twentieth century will be remembered for "having been the first age, since the dawn of civilization . . . in which people dared to think it practicable to make the benefits of civilization available for the whole world." Sustained world growth, and a widening of access to its benefits, are prerequisites for achieving the expanded opportunities and improvements in the human condition that Toynbee envisaged. They must surely be fundamental moral and political objectives of all democratic societies—for their own people and for others. More and more, achievement of these goals depends on a healthy structure of international economic relationships. That will require vision, cooperation and leadership on a far grander and broader scale than we have seen in the past.

1986 will be a major challenge on all fronts. The prosperity and, ultimately, the security of the United States hang in the balance.

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Jeremy R. Azrael
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SUPERPOWER BALANCING ACTS

"We met, as we had to meet," President Reagan told Congress in November on his return from Geneva. A week later General Secretary Mikhail Gorbachev said to the Supreme Soviet, "A dialogue of top leaders is always a moment of truth in relations between states."

1985 became the year of the summit, of a faster tempo and a softer tone in U.S.-Soviet relations. The President's invitation to meet, issued in March, had been his very first message to the new Soviet leader and reflected a widespread hope that the passing of the Kremlin's "old men" might permit East-West conciliation. Yet the leaders' more direct involvement and even their apparently amiable personal relationship could hardly resolve the contentious issues between the two sides. For this purpose, the relative strength of their bargaining positions remained decisive. In the course of the year, each side therefore sought to overcome those problems that in the past had weakened it in the superpower competition.

For the United States, two problems continued to stand above the rest: the Soviet strategic nuclear buildup and Moscow's military engagement, both direct and indirect, in the Third World. Both preoccupations date back to the decline of détente in the late 1970s; they figured prominently in the rhetoric of candidate Reagan in 1980 and then in the policies of the President's first term. In the past year the Administration focused on two responses that are likely to be remembered as the most distinctive elements of its diplomacy: the Strategic Defense Initiative (SDI) and support for anti-communist insurgencies. These measures were the only foreign policy matters

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touched on in the President's second inaugural address. They dominated the American foreign policy debate in 1985 (and meeting a crucial test of seriousness, acquired nicknames that have stuck—"Star Wars" and the "Reagan Doctrine").

As for Gorbachev, in the "inaugural" speeches that he gave at the outset of his tenure as general secretary, he also seemed to focus on two problems that had been growing since the late 1970s. The first was Moscow's inability to compete with the United States for political influence in the major capitals of Europe and Asia. This weakness had recently been underscored by Soviet failure to block the deployment of intermediate-range nuclear forces in Europe and to prevent growing Sino-American security cooperation. The second was the slowdown of the Soviet economy, which threatens both the material resources and ultimately, perhaps, the domestic stability needed for an ambitious foreign policy. Gorbachev committed himself to tackle these problems by restructuring the country's "economic mechanism" and by reconsidering policies that had restricted Soviet diplomatic options.

The Reagan Administration initiatives attempted, in effect, to reopen the "rules of the game" as played by the superpowers in the 1970s. Both SDI and aid to "freedom fighters" aimed to revise those rules that were most one-sidedly pro-Soviet. Similarly, the Gorbachev "administration" considered how to improve the East-West "correlation of forces" by regaining economic and diplomatic maneuvering room. Only in this way could the easy (and in Moscow's view, probably avoidable) gains of U.S. policy be brought to an end. In the course of the year, although each side's innovations paid some dividends, they also encountered real obstacles. The balance between the two did much to govern the Soviet-American dialogue of 1985 and its prospects in the years beyond.

II

The Reagan Administration's interest in strategic defense has many sources. Yet it seems unlikely that any of these would be decisive if SDI did not address one goal above all others: to break out of the dead end into which American strategic policy was led during the 1970s, as the nuclear balance turned increasingly against the United States. As Paul Nitze has said, "The Soviet Union is pleased with the current strategic situation. . . . The U.S. SDI research program . . . threatens to find counters which would negate many of their advantages."

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The Administration did not come into office trumpeting a doctrinal shift from offense to defense. At the outset it hoped to neutralize the Soviet strategic buildup by increasing the potency and survivability of the American intercontinental ballistic missile force. Yet it found that there was no guarantee of a stable political majority in favor of the necessary programs and able to overcome separate congressional, bureaucratic and public objections. The Scowcroft Commission's recommendations to the President on strategic forces briefly restored a consensus, but their legitimizing power has waned since 1983. Thus, the appeals of Secretaries Caspar Weinberger and George Shultz in the winter and spring of 1985 succeeded in gaining congressional approval for only 50 MX missiles, despite the $13 billion already invested and the resumption of strategic arms talks with the Soviets at the beginning of the year. Other offensive systems (including the B-1 bomber and the new submarine-launched missile, the D-5) fared much better, but in the course of 1985 it became clear that Midgetman, the small, single-warhead, mobile ICBM that was the centerpiece of the Scowcroft package, might not be built at all; enthusiasm for it had dropped sharply both in the Pentagon and on Capitol Hill.

Given such obstacles, SDI offered the prospect of flanking the Soviet buildup rather than matching it directly. To justify this new approach, the President pointed to the inadequacies of past arms control negotiations. In the 1970s, he said, "it was assumed the [SALT I/ABM] treaties would lead to a stable balance and, ultimately, to real reductions in strategic arms. But the Soviet Union has never accepted any meaningful and verifiable reductions in offensive nuclear arms. None."

If a satisfactory balance could not be created either by increasing U.S. offensive forces or by negotiation, strategic defense commended itself as an alternative. The appeal of defensive technologies, however, went beyond strategic nuclear issues alone. Soviet-American competition would now focus on an area where the United States seemed to have a clear technological edge (an advantage that was all the more impressive in light of long-standing Soviet research efforts in the field). As one analyst put it, "For the Soviet Union, the U.S. SDI program is quickly becoming symbolic of a more fundamental challenge between states—or perhaps, between social systems—calling into contention the political, economic and in-

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dustrial, scientific and technological, and military potentials of the super-powers."[1]

The Soviet leadership, trying in the course of 1985 to estimate just how serious the SDI problem was going to become, and how soon, had to sift through contradictory evidence. It could not afford to ignore the Administration's successful test of an antisatellite weapon, conducted in the teeth of congressional opposition; nor the growing acquiescence of NATO governments that had been offered a share of the SDI research pie; nor the buoyant claims of Lieutenant General James A. Abrahamson, chief of the SDI program, about the pace and early results of research already carried out; nor, least of all, the firmness with which the President publicly turned back all thought of compromise.

Yet the past year also threw into high relief some of the constraints under which the Administration operated in trying to change the strategic "rules of the game." Soviet assessments noted that the pressure of the federal budget deficit had forced a freeze on U.S. defense spending, which might continue to delay research on strategic defense. (The squeeze reduced SDI spending for Fiscal Year 1986 by one third.) They noted that expert opinion remained sharply divided over the feasibility of SDI, with even enthusiasts acknowledging major difficulties, especially the question of how space-borne systems could themselves be defended. They noted that the French defense minister openly derided U.S. ideas as deriving from "ideology, not a strategic concept," and finally, that the Western media portrayed some of the President's lieutenants as eager for an arms control compromise.

Even more important than these constraints, however, may have been a decision that the Administration took on its own: its deferral, at least into the next decade, of any decision to deploy defensive systems. This had been the approach of the Fletcher Committee, the presidential task force that had explored the problem over two years ago; it had recommended concentrating on high-payoff, long-range innovations that could radically transform the strategic regime, rather than on incremental changes that, although accomplishing less, could commence immediately. Whatever the scientific rationale for this approach, the decision to leave the historic turning point

[1] Stephen M. Meyer, "Soviet Strategic Programmes and the US SDI," *Survival,* Nov./Dec. 1985, p. 290.

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to another president was inevitably based on political considerations as well. By choosing to extend the unratified second Strategic Arms Limitation Talks (SALT II) agreement beyond its "expiration date" and to observe the 1972 Anti-Ballistic Missile Treaty more restrictively than required by its own reading of the treaty text and negotiating history, the Administration averted an even fiercer domestic (and alliance) controversy. It parried the attacks of those who would accuse it of scrapping arms control altogether. It gained the freedom to continue marching, however slowly, toward a distant goal.

This was no minor benefit, but the decision had its accompanying cost. It foreclosed an alternative course that would have put greater pressure on the Soviets in the short term: proposing to amend the ABM treaty in this decade to permit strategic defenses that current technology made feasible (i.e., protection of ICBM fields and other military targets like bomber and submarine bases). Renegotiation of the treaty would have forced the pace of current arms control and made the likelihood of further deployments in the distant future more credible to the Soviet side. The United States would thereby have enhanced its leverage in the short term, when President Reagan himself could still use it.[2]

Taken together, these various constraints on SDI seemed likely to soften its impact on immediate Soviet conduct. They suggested to Moscow that it had both the time and the maneuvering room to compose a broad response. Both sides, of course, had many reasons to prefer a gradual pace to the comparative turmoil of a more rapid one. Yet a slow transition complicated the calculations on which bargains could be struck in the short term. Should the old "rules of the game" apply, or the new? Both Moscow and Washington had to devise some way of relating a fundamental but possibly far-distant change in the strategic environment to issues—and negotiations—of the moment. An early deal would risk overpayment. Delay

[2] An early defense of ICBMs might also have begun to ease some of the other problems of U.S. strategic policy. Were the hoary fear of "Minuteman vulnerability" lessened, for example, the Administration would have found it easier to forgo both the MX and Midgetman ICBMs. And whatever its other complications, reopening the ABM treaty would have strengthened the credibility of the Administration's proposed "transition" to a new strategic regime. The idea of such a major shift had relatively low status in the Geneva talks on nuclear and space arms, where it remained an item merely for "discussion." Elevating it to a true negotiating issue might have helped to show the Soviet side whether or not such a transition could in fact be cooperatively conducted.

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would raise a different danger: that the other side might slip through with its advantages intact.

III

Like SDI, support for anti-communist insurgencies was far from a complete newcomer to the President's East-West policy. It had in fact been actively practiced throughout his first term. Earlier, however, it had lacked both the explicit priority and the focused public rationale that it acquired in 1985.

Ironically, the growing American absorption with this issue grew in large part out of a setback for the President, one that seemed likely to limit the possible impact of such aid on U.S.-Soviet relations. The Administration began the year needing to make a major effort merely to revive its Central American policy after press revelations of covert, CIA-organized mining of Nicaraguan harbors in the spring of 1984. These revelations had been the basis for one of the most effective attacks on the President before the election, and for a congressional challenge to his management of foreign policy that many in his own party supported. The Administration campaign required to restore funding for anti-Sandinista forces consumed the President's time and legislative capital throughout the first half of 1985; it hardly seemed a winning issue.

The successful outcome of the campaign, however, had effects that went far beyond policy toward Nicaragua. It helped to define and, more important, to institutionalize the Reagan Administration's effort to put pressure on Soviet positions throughout the Third World. U.S. policymakers increasingly replaced their geopolitical rationale for helping insurgent groups with a more ideological one; as the organizing concept of this policy, the balance of power gave way to the spread of democracy. CIA Director William Casey bluntly characterized the Nicaraguan, Cambodian and Afghan regimes: "These are not legitimate governments. . . . Every U.S. President since Franklin Roosevelt has authorized support of rebels opposing an oppressive or illegitimate government."

With this change it quickly became clear that the Administration had identified a more potent base of domestic support for countering Soviet expansionism. President Reagan, moreover, sought to broaden his foreign support as well. The premise of the "initiative" he put before the U.N. General Assembly in October was that insurgent movements fighting

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pro-Soviet Leninist regimes deserved international recognition.

Some of the early consequences of this shift suggested its potential importance in the East-West competition. No sooner had Congress approved non-military aid to the Nicaraguan "contras" than it also repealed the decade-old Clark Amendment proscribing U.S. aid to the parties of the Angolan civil war (a step that the Reagan Administration had hesitated to advocate in its first term). At the same time, Democratic legislators put forward proposals to help the non-communist resistance to the Vietnamese occupation of Cambodia. There was more to this activity than just talk: the resumption of the official aid flow to the contras coincided with an extension of their military reach (as well as an increase in Soviet military assistance to Nicaragua). And by year's end, again under congressional pressure, the Administration was carrying on a half-open discussion about whether (though the real issue seemed how and when) to aid the National Union for the Total Independence of Angola (UNITA) forces under Jonas Savimbi.

This new activism was christened the Reagan Doctrine by the media. Like SDI, it aimed to change the rules of the game. Suddenly the Soviet Union seemed locked into fixed positions that it had to protect, while the United States had gained a greater freedom to pick the terrain on which to challenge Moscow.[3] Together with a broader slowdown in Soviet gains in the Third World, this shift seemed to give the West the initiative and to put Moscow on the defensive.

As with SDI, however, there were reasons to question how far-reaching or immediate the impact of the Reagan Doctrine would be. Quite apart from the changeability of American public opinion, the support for freedom fighters that sprang up in 1985 coexisted with great uneasiness about military aid and involvements in general, and about covert action in particular. For this reason, Congress wrested management of the

[3] Soviet freedom to choose the field of battle had always been a major objection to the cold war doctrine of containment. In 1985 the Administration's justification of aid to the contras again rehearsed the drawbacks of containment: "In terms of the full realization of our objectives toward Nicaragua, the containment approach is obviously deficient in that it is passive and does not contemplate changes in Sandinista behavior. . . . The flaws in the containment approach, especially measured against the long-term commitment of the Sandinistas and the assurances of political and military support they enjoy from the Soviet Bloc, would appear to dictate eventual success of Sandinista insurgency throughout the region." *U.S. Support for the Democratic Resistance Movement in Nicaragua: Unclassified Excerpts from the President's Report to Congress Pursuant to Section 8066 of the Continuing Resolution for FY-1985,* April 10, 1985, pp. 14–15.

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Nicaraguan aid program from the CIA, and limited it to "humanitarian" items. Seeing this uneasiness, other governments with whom the United States needs to cooperate to implement the new Reagan Doctrine inevitably feared that they would not be protected against retaliation if their roles were exposed.

Their fear must have been made more acute in the past year by the possibility of conflict between the Reagan Doctrine and what some called the "Weinberger Doctrine." In several speeches during 1985, the secretary of defense specified a long series of conditions that must be met before the United States uses combat troops. To be sure, he expressed readiness to fight wherever American "vital interests" were at stake, and offered strong support for the contras, saying that, "if totalitarian rule is consolidated in Nicaragua, there can be no peace based on law in Central America." Yet this parallel debate about two "doctrines" intensified the predicament of countries like Pakistan and Honduras, which were asked, in effect, to help implement one doctrine in order to avoid testing the other.

The Reagan Doctrine's potential impact was further constrained by the limited number of insurgencies to which Washington could extend aid. An outright victory for any one of these groups would have an enormous psychological impact on East-West relations and would raise questions in Moscow (probably already being asked for other reasons) about the wisdom of large political and material investments in shaky, radical left-wing regimes in the Third World. Nevertheless, such a victory would not undo the Soviet global presence, nor hamper it in those regions (like the Middle East) where Soviet policy, though often dangerous, has not depended on ideological affinity with its clients. Even where ideology has been a prime prop of policy, the Soviet Union retains some important advantages in countering the Reagan Doctrine. Moscow's clients are (more or less) functioning governments, most of them able to receive and use quick, massive infusions of military equipment, advisers and other aid to turn back insurgencies. In Angola in the fall of 1985, for example, a Soviet-supported offensive suddenly threw UNITA on the defensive. A victory there by pro-Soviet forces might have had just as far-reaching psychological effects as a victory by an American-backed insurgency.

In sum, U.S. pressures mobilized under this new doctrine represented a significant new tool of policy, and were increasingly effective at the current level of Soviet investment. Whether they could actually turn back Soviet policy depended

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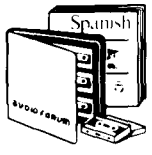

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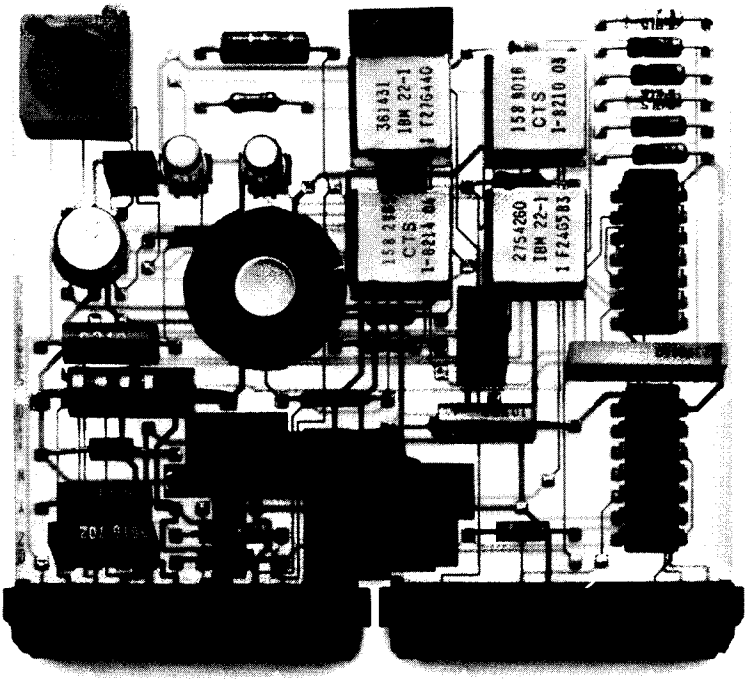

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The **Los Angeles Times**: "Protectionism is a formula that only postpones the industrial adjustments essential to survival in a competitive world market....America invites declining economic health when it retreats from world competition behind trade barriers."

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The **San Francisco Chronicle**: "The Western Nations, including the United States and Japan, should move to create more free trade, not less. New tariffs, imposed in a national panic, are not the way to go, particularly among friendly nations whose economies, like their politics, are closely tied."

Economist Robert J. Samuelson, in a column in **American Banker**: "...protection is often a 'negative sum game': Everyone loses; total trade declines, or restrictions raise prices without providing genuine protection."

The **Chicago Tribune**, on the recently expired voluntary quotas for Japanese cars: "Americans, besides having their choices restricted, have had to pay higher prices for new and used cars than they would have otherwise. Some autoworkers' jobs have been saved, but at an estimated cost per job of $160,000 a year. The chief beneficiaries are the big Japanese automakers, whose profit per car has risen enough to more than cancel out the lost volume."

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on many factors that Moscow might yet choose to test by upping the ante.

IV

Continuing tension in U.S.-Soviet relations and escalating pressures in the form of SDI and the Reagan Doctrine may have raised concern among some members of the Soviet leadership about Gorbachev's lack of experience in national security affairs. Foreign Minister Andrei Gromyko had tacitly acknowledged such concern in March 1985 when he assured his colleagues that the man he was nominating to be Konstantin Chernenko's successor had "iron teeth" behind his smile. Despite this assurance, some members of the Soviet national security establishment might have preferred to see Grigoriy Romanov, or even Gromyko himself, become the new general secretary. Due to earlier changes within the leadership, however, these preferences did not affect the outcome.

Whether Gorbachev's inexperience in foreign and defense policy worried others, it did not seem to worry him. If it had, he presumably would have wanted to make full use of the most experienced and talented specialists at his disposal. Instead, he retained the superannuated Marshal Sergei Sokolov as defense minister, and consigned the formidable Marshal Nikolai Ogarkov to deeper oblivion (thereby confounding a still unexplained flurry of rumors about Ogarkov's imminent return to Moscow). And he appointed the Georgian party apparatchik and policeman, Eduard Shevardnadze, to replace the highly capable and still energetic Gromyko as foreign minister.

Whatever else they indicated, these personnel decisions left no doubt that, despite his many domestic preoccupations, Gorbachev intended to be his own national security manager. They implied, furthermore, that he was considering significant policy innovations—not only the "profound restructuring of the entire economic mechanism" that he had identified as the cutting edge of his domestic program, but changes in foreign policy as well.

Given Gorbachev's "iron teeth," there was no reason for anyone outside the Soviet Union to contemplate this prospect with equanimity. Yet for those Soviets—by no means all—who believed that major new departures were the only way to get the system moving again, both internally and internationally, it was a heartening prospect. For the first time in years there was a leader in Moscow who seemed willing and able to conduct

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an imaginative diplomacy in pursuit of the full range of Soviet national interests, while doing what had to be done to reverse an otherwise irreversible economic decline. This slowdown had already forced a curtailment in the rate of growth of Soviet defense spending and a more cost-conscious approach to Soviet undertakings in the Third World; unless reversed, it could eventually begin to force Moscow out of the superpower competition.

Hopes (and fears) that Gorbachev would be a major economic innovator diminished during the course of the year. In speeches he continued to dwell on the need for far-reaching structural reform of the sort that Western (and many Soviet) economists consider essential for economic modernization and sustained growth over the long run. He proclaimed that those who say "the present structures of management . . . are outmoded and fail to correspond to present-day tasks are right." Furthermore, he continued to insist that "there must be no delay or waiting, because there is no time left for warming up. . . ." Despite this tough rhetoric, however, the changes Gorbachev initiated were slow in coming, strictly palliative, and redolent of the past.

Gorbachev may merely be postponing a push for all-out reform until he has made further progress in consolidating his political power. It is possible, however, that what has deterred him is less the prospect of a "conservative" challenge to his still unconsolidated power than a "reformist" challenge to the system on which his power ultimately rests. While recognizing the need for decisive action, he may be as intimidated as his predecessors (who also had occasional shocks of recognition) by the possibility that a restructuring of the economic mechanism would generate irresistible pressures for the restructuring of the system as a whole.

Beyond exposing Gorbachev to this fundamental dilemma of reform, his elevation to the top position in the leadership may have made him more sensitive to the personal risks associated with the sponsorship of a reform that fails—i.e., that fails to pay off economically. He has to contemplate the telling example of Khrushchev, who was unceremoniously deposed when his "subjective and hare;brained" reforms made a bad but tolerable situation worse. Finally, there is substantial evidence that Gorbachev increasingly appreciates that even the best conceived and most rational economic reform would have

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immensely high start-up and shakedown costs in the form of disrupted routines, unemployment, retraining requirements, and so forth. However great the likely returns, these costs are hard to contemplate when available resources are already fully committed, and when both internal and external pressures seem to require increases in current output.

Whatever the future may bring, for the present Gorbachev seems to have shifted his emphasis from the long-term modernization of the economy to the acceleration of near-term growth. At his insistence, the just-adopted 12th Five-Year Plan calls for almost a doubling of recent growth rates, from slightly over two percent to slightly under four percent per annum. Because of underlying structural problems, these goals are probably unattainable. Yet Gorbachev's hopes that there are production "reserves" to be mobilized by imposing greater discipline on the work force and greater pressures on management are not necessarily illusory, at least in the short run. The Soviet economy surely contains a certain amount of "slack," and some of the Andropovesque techniques on which Gorbachev is still relying may have contributed to the economy's recent modest upturn.

A great deal rides on the extent of Gorbachev's success. If the present economic upturn continues over the next several years, he could win time to consolidate his power, introduce meliorative changes in the existing economic structure, and disabuse the outside world of the increasingly widespread impression that the Soviet Union is an economic "basket case." Economic growth would simplify the resource balancing act that the Soviet leadership has confronted for over a decade, and make it easier to support both the defense burden and the "burden of empire" without dangerously overtaxing the Soviet consumer.

Yet the assumptions on which Gorbachev's gamble rests are fragile. They would be undone if (as is likely) better discipline alone proves inadequate to sustain increases in labor productivity, or if (as is possible) U.S.-Soviet relations do not permit continued slower growth in Soviet defense spending. Setbacks in dealing with either of these two problems would, at a minimum, make institutional conflicts over resource allocation far more acute. Together, they could pose an even greater challenge to the Soviet leadership than its recent "time of troubles."

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V

Gorbachev's criticisms of his predecessors' foreign policy failures have been much more guarded than his criticisms of their domestic failures. Nevertheless, his foreign policy pronouncements indicate considerable sympathy for the view of those members of the Soviet establishment (a sizable and increasingly vocal group) who hold that Soviet diplomacy was far too slow in adjusting to the emergence of what they contend is an increasingly multipolar world.

Without saying so explicitly, Gorbachev has tacitly endorsed the charge that Moscow's diplomatic isolation was to some extent the self-imposed result of its continued de facto adherence to a Stalinist "two-camp" approach to the global correlation of forces. As a result of Soviet inflexibility, countries having no organic connection to—and in fact having numerous conflicts of interest with—the United States were forced into, and kept within, Washington's sphere of influence. Soviet-American relations, Gorbachev said upon taking office, could not be the sole "prism" of Soviet foreign policy. Instead, what was called for was a more differentiated approach that would enable Moscow to capitalize on the sorts of opportunities envisioned by Alexander Yakovlev, a newly promoted Gorbachev protégé who held that:

> the distancing of Western Europe, Japan and other capitalist countries [as well as China] from U.S. strategic military plans in the near future is neither an excessively rash fantasy nor a nebulous prospect. It is dictated by objective factors having to do with the rational guarantee of all of their political and economic interests, including security.[4]

Efforts of this kind would help Soviet policy to ride out the deadlock in relations with the United States. Over the longer term, they might also bring closer the central goal of Soviet diplomacy since 1945, to weaken the global network of alliances and friendships that makes possible an active American foreign policy.

That Gorbachev put some stock in this assessment is sug-

[4] Interview in *La Repubblica* (Rome), May 21, 1985, p. 7, (reprinted in *FBIS Daily Report (Soviet Union)*, May 24, 1985, p. CC1). Yakovlev had been exiled from his position in the Central Committee Secretariat to the post of ambassador to Ottawa under Brezhnev, "rehabilitated" as director of the prestigious Institute for World Economy and International Affairs under Yuri Andropov, and returned in 1985 under Gorbachev to the Secretariat as head of its Propaganda Department.

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gested not only by Yakovlev's promotion to a key party post, but by a number of Soviet foreign policy initiatives during the year. Gorbachev made several overtures to Beijing as part of an intensified effort to normalize Sino-Soviet relations. He also authorized Foreign Minister Shevardnadze to visit Tokyo, ending a long diplomatic stand-off and giving new impetus to a number of bilateral negotiations that had been held in abeyance. Finally, Gorbachev offered to negotiate a Euromissile arms control agreement directly with the British and French, and to negotiate closer economic and political ties between the European Community and the Council for Economic Mutual Assistance, the Soviet bloc's economic arm. These initiatives, as well as several others—the transfer of MiG-23s to North Korea, the establishment of diplomatic relations with the United Arab Emirates, reconciliation with Zimbabwe, and the initiation of more frequent and visible Soviet-Israeli exchanges—gave Soviet foreign policy under Gorbachev a more multilateralist coloration.

In 1985, however, Gorbachev neither said nor did anything that indicated a willingness to make the sorts of concessions that would be required for a real breakthrough in Soviet relations with these countries. Instead, he consistently showed that he did not intend to bend on the security issues that make these relations essentially adversarial (and often openly hostile). Far from accompanying his overtures to China with hints of movement on Beijing's "three obstacles" to normal relations, Gorbachev presided over an increase in the Soviet military presence in Vietnam, a further buildup of forces along the Sino-Soviet border, and an escalating offensive against the Afghan resistance. Similarly, his emissaries informed the Japanese that Shevardnadze's visit to Japan did not signify any weakening of the Soviet position on the disputed northern territories. Likewise, his offer to negotiate a Euromissile agreement with the British and the French contained nothing that could even be construed as an offer to modify the Soviet Union's generally overbearing theater force posture. Finally, and perhaps most important of all, Gorbachev's policy was not conciliatory at all in its approach to the country that remains the key to revising Europe's security order: West Germany.

Moscow's traditional and continuing inflexibility in dealing with its European and Asian neighbors is not necessarily permanent. The Soviets could conceivably thin out their troops along the Sino-Soviet border; rising demographic pressures

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within the U.S.S.R. already argue for such a step. It is also conceivable that in the course of negotiating a long-deferred peace treaty (to which Shevardnadze agreed at the end of his visit), Moscow could agree to discuss a reversion to Japan of the islands of Shikotan and the Habomais, if not of Etorofu and Kunashiri. And under some circumstances (e.g., in order to facilitate a significant shift to European neutralism by a left Labour government in London or a Social Democratic counterpart in Bonn), it might be willing to reduce the number of its armored divisions in Europe. But before Gorbachev or any Soviet leader would contemplate such concessions, he would have to be convinced that they would yield very large, tangible and immediate returns. Otherwise the costs and risks of displaying apparent weakness (not to mention the actual loss in Soviet military capabilities and the opportunities for political and economic intimidation they provide) would almost certainly deter him. At least for the foreseeable future, it is hard to envision a situation in which he could count on such returns.

VI

In the past year both the Soviet Union and the United States experimented, more or less seriously, with promising policy innovations. Yet it remained unclear whether they would be effectively applied and sustained beyond the short term. Each side retained legitimate doubts in 1985 that the other would persevere. For this reason each also displayed a certain skepticism that the other could force it into a fundamental adjustment of its policies.

Soviet statements, not surprisingly, were the more belligerent on this point. Gorbachev reminded his *Time* magazine interviewers that the Soviet Union had "not lost a war to the U.S., or even a battle," and could not therefore be forced into "capitulation" to Reagan's demands. In December he told American businessmen attending the U.S.-Soviet Trade and Economic Council that "we won't beg for anything." The same theme had appeared in Shevardnadze's speech to the U.N. General Assembly:

> Profoundly mistaken are those who may expect that the Soviet economy will fail to withstand the strain of a qualitatively new stage in the arms race which is currently being forced upon us. Our country and the Soviet economy have had to stand up to even greater pressures. Today the economic might of the Soviet state and its scientific and technological

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potential are such as to leave no doubt whatsoever in anyone's mind concerning the ability and determination of our people to deal with the new challenge.

For their part, American officials were equally emphatic that U.S. policy would not be derailed. As Robert C. McFarlane put it in his last speech as White House national security adviser on December 9, "There are new opportunities before us now [in U.S.-Soviet relations], not because the President is changing his approach but precisely because he *isn't* changing it."

Nevertheless, even as both sides considered how to gain a better competitive footing for the long term, they seemed to conclude that this goal was consistent with reducing tension—with what Gorbachev called more "civilized" relations—in the short term. For the Soviets, a better atmosphere would almost certainly serve to loosen restrictions on East-West trade and encourage U.S. allies to explore their own rapprochement with Moscow; a less confrontational climate would give Western supporters of these objectives new arguments to press their case. For the United States, a new climate could confirm (for both domestic and European audiences) the wisdom of the Administration's overall approach to dealing with the Soviet Union, while presenting a chance to explore Soviet positions in greater depth.

Because each side was ready to experiment with a relaxation, their dealings became a contest to see who could reap the greater benefits from the new atmosphere. This struggle began in earnest with the agreement at midyear on a November summit meeting. From the outset, the two sides announced different conceptions of what the summit should accomplish. In the Soviet view, it was imperative to make a breakthrough on the allegedly most pressing danger, the incipient "militarization" of space. The Americans, by contrast, stressed that the Geneva conversations would have to be an across-the-board survey of all the issues troubling the relationship, from nuclear weapons to human rights and Soviet conduct in the Third World. Conversations were to air and compare perspectives, not produce detailed negotiations, much less major agreements.

In the months before the Geneva summit, the two sides maneuvered to gain acceptance for their conflicting views. While winning unprecedented personal publicity for Gorbachev and announcing a series of moratoriums on military

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tests and deployment, the Soviet campaign rested, in the end, on one dramatic initiative: the proposal, brought to Washington by Shevardnadze in late September, for a 50-percent cut in strategic arms and the full abandonment of SDI. This was an attempt to show that the President's attachment to strategic defense had become the only real obstacle to a radical reduction in strategic arsenals; its terms implied at least some Soviet recognition of how serious an offer would be needed to accomplish this. The first Soviet proposal ever to provide for aggregate limits on strategic warheads ("nuclear charges" in Soviet terminology), it tacitly accepted the American proposition that the Soviet force of large ICBMs heavily equipped with multiple warheads was a source of instability; Moscow would not be able to abide by the warhead limits of its own proposal without significant cutbacks in those missiles that U.S. negotiators had declared the "most dangerous."

The Soviet initiative had an undeniable effect on U.S. summit preparations and on the outcome. It elicited a U.S. "counter-counterproposal," it drew Secretary of State Shultz and National Security Advisor McFarlane to Moscow for a last round of discussions in early November, and it provided one element (the principle of a 50-percent reduction) of the joint statement to which, in the end, the two leaders subscribed in Geneva. All the same, it failed to impose the Soviet conception of the summit's purpose.

American efforts were effective in broadening the agenda beyond arms control and in precluding real bargaining under the severe time constraints of a two-day meeting. Moreover, the President's categorical rejection of limits on SDI research at his mid-September press conference (where he spoke of it as "too important for the world" to consider trading away) had cooled press speculation and frozen any consideration of compromise formulas within the Administration. Later, the President's plan for resolving regional wars waged by the Soviets or their clients in five Third World countries dramatized U.S. policy toward a "recurrent pattern of [Soviet-supported] conflict that ought to be broken as soon as possible."

In the event, the summit outcome fully rewarded the efforts of neither side, but each could easily accommodate the result to its broader strategy. For all the interest it had raised, the Soviet proposal on strategic reductions contained far too many unacceptable elements (widely recognized as such, even by the Administration's critics) to create real take-it-or-leave-it pres-

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sures before or at Geneva. On the question of which systems should be classed as "strategic," for example, it seemed to revive old Soviet positions that had long since been given up in negotiations as far back as SALT I. Even as a "going-in" position, it seemed to envision a long negotiation, not a quick overcoming of differences at Geneva. As a result, the summit seemed to follow the American script.

At the same time, Washington, having insisted for months that the meeting address the U.S.-Soviet relationship in all its aspects, accepted a joint statement that dealt overwhelmingly with arms control, especially with strategic arms control. Its terms, to be sure, reflected well-established American preferences. The agreement by Reagan and Gorbachev to seek progress in areas "where there is common ground" supported the Administration's position that agreements on deep offensive reductions, or on intermediate-range systems in Europe, should not be held up by Soviet objections to SDI. Yet even this outcome reflected American leverage less than it did Gorbachev's shift to a strategy of playing along so as to demonstrate reasonableness and produce a harmonious result.

VII

After the summit, each side went to considerable lengths to dispel any impression that it had allowed the other to set the agenda, either for the meeting itself or for the future evolution of the relationship. President Reagan and his lieutenants denied that arms control had dominated the summit dialogue and emphasized that no "fundamental improvement" in U.S.-Soviet relations was possible unless Moscow curbed its appetite for expansion. Gorbachev also took pains to correct any thought that he had relaxed either the Soviet Union's requirements for a settlement in Afghanistan or its insistence on a "complete ban on space-strike weapons."

Yet, for all this, the post-summit statements on both sides appeared to suggest new possibilities for movement. While setting stringent requirements for a "fundamental improvement" in U.S.-Soviet relations, Washington continued to move further away from a doctrine of all-or-nothing linkage, which official statements early in the Administration had sometimes seemed to support. Secretary Shultz had disavowed any such

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doctrine in the fall of 1984.[5] Now, thanks in part to the Reagan Doctrine (which reflected Shultz' argument that Soviet "outrages" must be met by steps that directly counter the action in question), there seemed to be a general consensus that a policy of "rigid linkage" would be counterproductive. A "fundamental improvement" in relations (whatever that meant) might require across-the-board changes in Soviet behavior, but bilateral agreements that served U.S. interests would be actively pursued even if they stopped short of "solving" the underlying problem.

On the Soviet side, Gorbachev's post-summit warnings that continued U.S. intransigence on SDI "would make the atmosphere at the Geneva [arms control] talks problematic" were much weaker than his pre-summit assertions that without an agreement to ban SDI "the Geneva negotiations will lose all sense" and might have to be broken off. In speaking of SDI, he did not dwell on the necessity of a complete ban on out-of-laboratory research (as he had, for example, in his *Time* interview). And he conspicuously refrained from saying that a continuation of current SDI programs would preclude any agreement on reducing strategic offensive forces. Stressing that a "radical reduction" depended on "tightly closing the door through which weapons might penetrate outer space," he seemed to imply that lesser reductions might be negotiable even if the space door remained partially open.

If this were indeed what Gorbachev meant, the range of acceptable agreements would obviously increase, making a gradual relaxation of the arms control deadlock more likely than it seemed before the summit. The two sides could, for example, eventually converge on a strategic arms limitation agreement that provided for substantial (if not radical) offensive reductions, while leaving SDI—and its Soviet counterparts—more or less intact. It is also possible, of course, that Gorbachev will remain adamant about the need for stringent constraints on SDI, but will offer deeper and less one-sided offensive reductions. This seemed to be the meaning of his unusual emphasis, in post-summit statements, on Soviet readiness for "compromise."

[5] "Managing the U.S.-Soviet Relationship Over the Long Term," address before the Rand/UCLA Center for the Study of Soviet International Behavior, Oct. 18, 1984, *Department of State Bulletin*, December 1984. In this speech Shultz criticized not only President Jimmy Carter's grain embargo, but also the post-Afghanistan decision to "withdraw his own arms limitation treaty from Senate consideration."

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In 1985, Gorbachev was unable or unwilling to come up with an offer that was either strategically or politically compelling. After the summit, however, he had a much greater incentive to do so, since only the prospect of a major reduction in the Soviet offensive threat, together with American budgetary pressures and other domestic factors, seemed likely to put the U.S. position on SDI under significantly greater pressure. Some elements of his comprehensive mid-January initiative suggested that he was moving in this direction.

While the negotiators in Geneva may find the going at least a little easier than before, progress will be harder for the participants in the all-encompassing regional talks that both sides have agreed to institutionalize. Post-summit American optimism about Soviet interest in an Afghan settlement appeared to reflect a misunderstanding of Gorbachev's message to President Reagan as well as of the Soviet "Afghan dilemma" itself. Furthermore, Moscow has made it abundantly clear that in Afghanistan, as well as Angola, Ethiopia, Nicaragua and Vietnam, it has no intention of withdrawing and, if pressed, is prepared to raise the stakes. Soviet policy has conveyed this message in the most convincing way—militarily, on the ground.

If this remains the Soviet approach, then even an intensified and upgraded dialogue on regional trouble spots will be, at most, an opportunity for Washington to reiterate its well-known concerns. Moscow's own familiar charges (about U.S. export of "counterrevolution") will also fall on deaf ears. Its efforts to use the talks to win U.S. assent to its plans for international conferences on the Middle East and on Asian security are unlikely to succeed unless Moscow makes some of the hard decisions and concessions necessary to implement an effective "multilateralist" strategy. Otherwise, the talks are likely to confirm Gorbachev's conclusion, on the basis of his conversations with President Reagan at the summit, that U.S. and Soviet views on the sources of and solutions to regional tensions are "not just different but directly opposite."

VIII

Perhaps the most frequently made judgment on U.S.-Soviet relations at year's end was that the change in tone had outrun the change in substance. The judgment usually carried with it this further thought: that such a disparity could not continue for long. Concrete achievements would be needed to prevent the resurgence of hostility and tension between the two sides.

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As a consequence (so the argument concluded), the upcoming summit of mid-1986 would be more decisive than the first meeting.

How precarious was the disparity between tone and substance? In the history of the U.S.-Soviet rivalry, there have been few periods in which the most important indicators of the relationship—the level of rhetoric, the correlation of forces, the "rules of the game," the feasibility (and durability) of agreements—all pointed in the same direction. For 30 years and more, at least since the first Geneva summit in 1955 when Eisenhower met Khrushchev, the norm in U.S.-Soviet relations has in fact been a mixture of confrontation and conciliation, a mixture in which tone and substance were usually imperfectly aligned and often sharply divergent.

This was certainly true, for example, of the period between the conclusion in 1963 of the Limited Test Ban Treaty and the onset of détente at the end of the decade. In those years the climate improved even though no further bilateral agreements punctuated the slight easing of tensions. While still essentially adversarial, the relationship became harder to capture in a single word or phrase. The lack of sharp definition reflected different motives on each side, but it served the interests of both.

As was true then, so in 1985 each side seemed to believe that a less confrontational climate would serve its interests. This outlook represented a change from the immediately preceding period, when many in Washington insisted that strictly atmospheric improvements were apt to be counterproductive, and when Moscow actually sought to create an atmosphere, internally and internationally, of imminent crisis. The Soviets did succeed in raising tensions, but the failure to attain any of their other objectives was a severe setback.

At the beginning of the new year, despite warnings in both capitals about the need to sustain the momentum of Geneva, it was not at all clear that a failure to make negotiating progress in the near future would lead either side to reconsider its course. In both Washington and Moscow, the tentative relaxation of the past year seemed consistent with (and to some extent even helped to support) policies to wage the superpower competition more actively and effectively. Far from being precarious, then, this combination of policies expressed each side's strategy for advancing its interests over the remainder of the decade. As often in the past, both sides may prefer ambiguity to the alternatives.

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Thierry de Montbrial

THE EUROPEAN DIMENSION

From one year to the next, it is difficult to find original words to describe the state of transatlantic relations. Indeed, they are bound to continue to constitute a "troubled partnership," and 1985 was no exception.

To a large extent, it was the year of the Strategic Defense Initiative (SDI). On the surface, even though most European strategists are more than skeptical about the concept, SDI has not created major tensions among the Western allies. The British and the German governments supported President Reagan's initiative. Italy showed some interest; France, Norway, Greece and Denmark rejected any governmental role, but avoided any confrontation. Overall, Washington may be pleased.

The year brought further displays of the American mood of unilateralism. This is true, for example, in Soviet-American relations, culminating in the November summit meeting in Geneva; the initiatives in this evolving relationship are not primarily the consequence of West European persuasion. Similarly with economic issues. Washington's change of attitude through this year on exchange rates and the value of the dollar has been quite remarkable. As a result, the meeting in New York of the five biggest Organization for Economic Cooperation and Development (OECD) countries on September 22 could produce a joint approach on how to drive the dollar value down. The American position on indebted Third World countries has also evolved.

Altogether, American and European positions on world macroeconomic management have come closer together—although the Europeans still consider that American authorities have not yet taken the relevant measures to significantly reduce the U.S. budget deficit, which they continue to regard as a major source of global imbalance. The point here is that the

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change of attitudes vis-à-vis economic problems, just like East-West relations, have only modestly been influenced by the Europeans. It was rather the product of an internal American debate.

American unilateralism in 1985 was also well illustrated by the *Achille Lauro* hijacking ordeal in October. The U.S. government issued an infuriated declaration criticizing the Italian government's willingness to let an alleged leader of the hijacking leave Italy. Prime Minister Bettino Craxi then denounced American interference. The Italian coalition broke apart, but it turned out that Italian public opinion was behind the Socialist leader; their national pride had been hurt by the American conduct. Yet the hard feelings were quickly soothed in a public show of American-Italian reconciliation. Italy was certainly a faithful member of the alliance. Had it not immediately accepted the cruise missile deployment? Was Mr. Craxi himself not considered a genuine friend of the United States? Mr. Craxi returned to power, even stronger now than after his June victory in a referendum on income policies.

All in all, it remains that the United States demonstrated little respect for Italian sovereignty, and for Egyptian sovereignty in the same case. To a large extent, the capture of the Egyptian plane and the Israeli air strike near Tunis were applauded by "Western" public opinion because of the current acceptance of a sort of "Rambo syndrome." It remains nonetheless true that all these incidents illustrate America's benign neglect for others' sovereignty, and now generally for international law; a benign neglect also illustrated by the State Department's October 7 decision to abide no longer by the decisions of the International Court of Justice. Potentially, all this could generate transatlantic difficulties if, for example, certain European countries were at some point to accuse the United States of practicing "state terrorism," to use the Soviet phrase.

On a minor level, two other examples of American unilateralism may be mentioned. One is the awkwardness of the March 26 letter from Secretary of Defense Caspar Weinberger to his European counterparts about SDI, in which he requested an answer to his vague offer of participation in the SDI research program "within 60 days." The other example is the way President Reagan called a NATO summit meeting in New York on October 24 for consultations before the Geneva summit

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meeting: French President François Mitterrand learned of the invitation from the press before he received the formal note.

II

On the whole, however, 1985 has been a relatively good year for transatlantic political relations. On March 20, the Belgian Parliament finally approved the deployment of 16 American cruise missiles, with the proviso that if by the end of 1987 Soviet-American negotiations were still going on, there would be a new delay for the deployment of the remaining 32 missiles; whereas if the negotiations were interrupted, the deployment would be automatic. Prime Minister Wilfried Martens' government was embroiled in domestic difficulties, but he won the October 13 elections, which reinforced the pro-NATO Belgian posture.

Following this example, the Netherlands government approved, on November 1, the deployment of the planned 48 cruise missiles, in spite of last-minute Soviet maneuvers to block the decision. Altogether, The Hague had hesitated for six years. The moves of Belgium and Holland, together with the setback for the peace movements all over Europe, suggest that the Euromissile crisis is now behind us, even if the debate over coupling versus decoupling Europe and the United States is far from being over.

The gloomy predictions about a return to an era of political glaciation in Europe did not materialize. In fact, intra-German relations were basically unaffected by the deployment debate. Trade and credits developed between the two Germanys; a cultural agreement between the Federal Republic of Germany and the German Democratic Republic is ready to be signed. The two German governments have to a large extent succeeded in protecting their relationship from East-West confrontation, and in maintaining their dialogue in spite of the NATO Euromissiles and the Soviet SS-21 and SS-22. East German leader Erich Honecker's visit to West Germany, twice canceled in 1984, will probably be rescheduled soon.

Mikhail Gorbachev visited London in December 1984, and his first visit to the West as the general secretary of the Soviet Communist Party was to France in October 1985. The new Soviet leader has been multiplying interviews and smiles with Western politicians and personalities in an unprecedented public relations effort which it would be oversimplistic to describe as mere propaganda. The success—in political terms—of the

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Geneva summit had a positive effect on European-American relations. Of course, this holds true for the short term, not necessarily for the long term.

Mr. Gorbachev is sowing potentially explosive seeds. Thus, his proposal in Paris to conduct bilateral talks with the French and the British on their independent nuclear arsenals obviously aims at driving a wedge into European and NATO relations. It is an initiative along the lines of the 1982 Andropov proposal to lower the number of Soviet SS-20s to 162 missile launchers, then estimated by the Soviets to be what the U.S.S.R. needed to offset the French and British nuclear arsenals. With such moves, the Soviets hope to arouse anti-French and anti-British feelings in the West, particularly in Germany, and at a deeper level, to stand in the way of any attempt to develop a closer security relationship between France and the Federal Republic. For the time being, however, these seeds are only potentially troublesome. Mr. Reagan is as popular in Europe as he is in America. The French and British nuclear questions are not yet high on the agenda, and Mr. Gorbachev is still in the preliminary phases of the setting of his strategy.

In 1985 there were no major transatlantic frictions over regional issues, such as the Middle East, South Africa or Latin America. The American policy in Nicaragua, however—particularly the trade embargo imposed by Washington—has been a major point of friction between the United States and Spain, an important point in view of Spain's forthcoming referendum on NATO.

Within NATO, significant steps forward have also been made to reinforce the conventional side of the flexible response strategy. In May 1985, the NATO defense ministers (the Defense Planning Committee) approved measures to improve conventional defense. They discussed the "Conceptual Military Framework," developed mainly by Supreme Allied Commander Europe (SACEUR), which aims at identifying existing deficiencies in order to prepare long-term planning. For that purpose NATO members have been working in a constructive way to maintain the flexible response strategy in an environment characterized by a number of demographic, technological and operational changes, including new Soviet conventional capabilities.

In October, an agreement was reached in COCOM, the allied coordinating commission for "sensitive" trade with the East, to constitute a group of experts to provide independent advice

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on the possible military use by the Soviet Union of high-technology exports. Although the recommendations of the group will not be legally binding, they will hardly be ignored, and the initiative may be considered as a significant step forward in a highly delicate and controversial area. Of course, mental reservations remain.

The Europeans continue to have more intensive trade relations with the East than does the United States. European exports to Eastern countries amounted to $28 billion (mostly manufactured products) in 1984, against $5 billion for the United States (mostly grains). Many Europeans, particularly in the Federal Republic and France, still regard COCOM as a device allowing the United States to control East-West trade to its advantage. Above all, the scars of the 1982 pipeline crisis have not yet healed. For the time being, however, there is greater-than-usual acceptance in Europe that it is necessary to exert strict controls on technology transfers to the East. But it is likely that the issue will remain a potentially divisive one.

President Reagan may be satisfied about U.S. relations with the European Economic Community. To be sure, his visit to Madrid on May 7 was marked with massive anti-NATO demonstrations; on November 10, millions of people were mobilized in the Spanish capital's streets against NATO. Nonetheless, Prime Minister Felipe González Márquez is now fully committed to keeping Spain in the Atlantic alliance. A clear sign of this resolve was the replacement, in July, of Foreign Minister Fernando Morán López by Francisco Fernández Ordóñez, and the subsequent decision of the Spanish government to join COCOM. The final decision on NATO would, of course, be facilitated if an agreement on the reduction of American bases in Spain could be reached before the plebiscite on NATO planned in March 1986, but in any case Mr. González has made it clear that he would not feel entirely bound by the results of this plebiscite, unless there were an overwhelming rejection. In fact, the most likely outcome is that Spain will remain a member of NATO, but with a special status—comparable, for example, to the French position. With Portugal, the Reagan visit to Lisbon on May 8 was a clear success, and it is reasonable to expect that Portugal will further strengthen its European and Atlantic commitments.

The United States still has a problem with Andreas Papandreou's Greece. The Greek prime minister still maintains that the agreement on American bases will not be renewed after

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1988. But immediately after his reelection in June, he expressed determination to improve the relationship with Washington, although he mentioned the two problems of Cyprus and of the "Turkish threat" in the Aegean Sea—problems encouraged, in his view, by NATO policies. Greece is experiencing a severe economic crisis and badly needs dollars. On October 11, in a major economic policy shift, Mr. Papandreou imposed a series of austerity measures, together with a 15-percent devaluation of the drachma. Greece also needs Europe's assistance; hence the confirmation of its EEC commitment. The United States, for its part, has renewed the military aid program to Greece and Turkey for 1986, according to the ten-to-seven ratio agreed on in Athens.

III

On the trade front, 1985 was a rather stormy year. The American offensive against EEC agricultural and steel exports gathered steam. In May the U.S. government launched a special aid program of $2 billion to subsidize farm exports. As a result, the traditional European markets in the Mediterranean, such as Egypt and Algeria, were threatened by American competition. The EEC retaliated by raising its subsidies for Mediterranean exports. In November, the "pasta war" developed: the United States raised duties on EEC pasta, and the EEC retaliated by raising duties on American walnuts and lemons. On steel, two agreements were signed in January and May, but they may amount to nothing more than a truce. Today, 80 percent of steel imported to the United States is covered by protectionist mechanisms. These agricultural and steel disputes are unlikely to be resolved easily, as they involve very significant political interests on both sides of the Atlantic.

In September Mr. Reagan announced plans to move against alleged "unfair trade practices," referring mainly to Japan, South Korea, Brazil and the EEC. He decided to set up a fund to protect American products threatened by those practices and to pressure foreign governments into dropping unfair trade barriers. At the same time he declared himself opposed to protectionist measures. Following on this September program, a massive protectionist attack against Europe was launched in November, covering such sectors as aviation (the Airbus contract with Pan American might be affected). The EEC was accused of restricting its imports of American heavy electrical equipment, and Mr. Reagan announced sanctions

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within the framework of the General Agreement on Tariffs and Trade (GATT) rules.

All in all, some of the 300 pieces of protectionist legislation now being discussed by Congress might be passed. Of course, Japan is still more a target for American wrath than the EEC. The overall situation is dangerous, however, as the experience of the "beggar thy neighbor" policies prevailing during the period between the two world wars reminds us. OECD statistics indicate that, as a percentage of imports of manufactured products, six percent of U.S. trade was subject to restrictions in 1980 versus 11 percent for the EEC, whereas the similar figures for 1983 were 13 percent and 15 percent respectively. This gives vivid measure of the rise of protectionism.

The American proposal to initiate a new set of multilateral trade negotiations, covering agriculture, services and new technologies, was launched partly to offset protectionist forces within Congress. It was not immediately well received in Europe, because in practice only the European Common Agricultural Policy would have been on the spot. At the Bonn summit meeting in May, President Mitterrand refused to agree on a definitive timetable, insisting that the agenda had first to be clarified. Thus, he wanted to avoid excessive concentration on agriculture, but more generally his concern was that the agenda should reflect a balance of interests between Europe and the United States; it should also take account of the interests of the less-developed countries (LDCs). Last, but not least, Mr. Mitterrand reiterated the traditional French position that there should be parallel discussions about the international monetary system. Indeed, one of the main causes for the American trade deficit is the massive overvaluation of the dollar. The whole story has a familiar tone: already in 1973, before the beginning of the Tokyo Round of trade negotiations, France had taken the position that there is a natural relationship between trade and monetary matters.

By the second half of 1985, the EEC had reached a unified position on trade negotiations; The Community decided to favor the liberalization of trade in services, to promote a more efficient multilateral monitoring system within GATT, to encourage a treatment of "systemic problems" (agriculture, safeguards, mechanisms, etc.), to consolidate the results of the Tokyo Round, and to take into account the interests of the LDCs. The EEC also stressed the necessity of launching negotia-

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tions on monetary matters, toward the end of a more stable exchange rate system.

The main debate then shifted from Europe to the Third World, led in this matter by India and Brazil. These countries are worried about an excessive focus on trade in services, and want to make sure that obstacles to their own exports will be removed. The European Commission acted as a mediator between the United States and the Third World leaders, and an agreement was reached at the end of November for separate negotiations on services, and on tariff and non-tariff barriers. Thus, the way was opened for new trade talks to begin in the fall of 1986.

This can be seen as an auspicious development, together with the partial adjustment of the dollar in 1985 and with the fact that Mr. Reagan remains opposed to protectionism despite all the congressional pressure. However, it may take up to 18 months for a fall of the dollar to translate into a balance-of-payments improvement, a long time in politics; congressmen and senators are pressured by lobbies and are generally more concerned with their reelection than with historical perspectives. For example, Congress voted a bill limiting textile imports at the beginning of November, in spite of Reagan's plan and the fall of the dollar. Europeans and Japanese remained firm in their view that the U.S. trade deficit is to a large extent due to imbalances between investments and savings in the United States—itself related to the budget deficit, an unsolved problem to date.

All these economic issues are extremely tricky. By the end of 1985, it seemed that the transatlantic climate had somewhat improved in this respect. It is indeed vital for the United States as well as for the EEC to continue in this direction, as in the long run the Atlantic alliance would not survive a collapse of the international economic order.

IV

Above all, 1985 was the year of SDI. Although President Reagan made his "Star Wars" speech on March 23, 1983, it was not until one year later that the Strategic Defense Initiative as such was formulated and came to the forefront of international politics. On January 13, 1985, a few days after his meeting with Secretary of State George P. Shultz in Geneva, then Foreign Minister Andrei Gromyko made it clear that, in the Soviet view, the outcome of arms talks would depend on

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the limitation of SDI. In other words, he excluded the idea of separate agreements on strategic and medium-range systems. On February 11, President Reagan declared that SDI would continue regardless of the outcome of the Geneva arms talks.

Since then, the Soviet and U.S. positions have remained essentially unchanged. Mr. Reagan repeatedly ruled out any possibility of a deal with the U.S.S.R. to limit development and testing of the proposed U.S. space-based missile defense system in exchange for deep cuts in the Soviet nuclear arsenals. At the November summit meeting Mr. Gorbachev proposed to decouple the intermediate-range nuclear forces (INF) negotiations, but continued to tie together reductions on intercontinental weapons and a ban on SDI. This is not necessarily good news for the Europeans, as it will increase Soviet leverage, particularly to drive a wedge between France, and possibly Britain, and their allies.

The Reagan vision is that strategic stability would be enhanced by the combination of antiballistic defenses and a significant reduction of offensive weapons. In particular, it is hoped that this would reduce the prospect for a limited nuclear exchange between the two superpowers. Globally, perhaps this would work, but not in Europe. The Soviets consider SDI to be a new and major step in the arms race, to which they would have to respond by increases of their strategic nuclear delivery vehicles and by their own deployment of antiballistic missile (ABM) and antisatellite weapons (ASAT) systems. They stress that the strategic equilibrium would become less, rather than more, stable; in the transition, the temptation to strike first would be very strong and the probability of war would dramatically increase. In addition to this conceptual debate, there is the more familiar question of the precise definition of "strategic weapons."

The whole SDI framework is ambiguous, and the European position is uncomfortable. Sometimes the Europeans hear American voices which emphasize that the United States could share their SDI technologies, not only with their allies, but even with the Soviet Union. (This reminiscence of the 1945 Baruch Plan is, incidentally, hardly consistent with the COCOM philosophy. Indeed, how could the United States authorize SDI technological transfers to the Soviet Union and continue to restrict transfers of other sensitive materials?) More often, Europeans are told that American technological superiority is so overwhelming that the United States will gain a decisive strategic

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advantage by deploying SDI, which should reassure the Europeans and strengthen NATO.

Unfortunately, Americans have often tended to underestimate Soviet space technologies. The Europeans also observe that the basic concepts underlying SDI remain highly controversial even within the United States. Very few scientists believe that anything like a leakproof ABM system is feasible. The opportunity cost over the next two or three decades of developing SDI, for the American economy as a whole and for the American defense budget, is also a matter of debate. In the short run, Europeans know that the American high budget deficit is not sustainable, and that the SDI funds themselves are being revised downwards. Europeans must ask whether, if SDI is given priority, it will not be at the expense of the American contribution to the defense of Europe. To what extent can the SDI concept apply to the defense of Europe? Even if an anti-tactical ballistic missile system (ATBM) to protect against Soviet shorter-range tactical missiles could easily be derived from intercontinental ABM systems—which is far from obvious—European territory is threatened by a much wider spectrum of weapons systems than is American territory. Anyhow, where would the funds for a European Defense Initiative—stressing land-based ATBMs—come from? Money today is scarce even for building up a satisfactory counter-air capability. Would the deployment of SDI not wipe out the credibility of the flexible response strategy? Would there be enough resources left to develop a credible conventional deterrent in Europe? In the final analysis, would SDI not decouple, rather than recouple, Europe and the United States?

Such are some of the questions that the Europeans have been raising, more or less openly. In addition, the French—and to some extent the British—are concerned about the consequences of SDI on their own nuclear forces. Many Europeans are therefore receptive to the Soviet argument that SDI will be destabilizing. They worry about the fate of the ABM treaty, even though the Administration has consistently repeated that in the research phase the treaty would not be violated (this is, of course, a matter of interpretation). The Europeans know, however, that the worst plan would be to let the Soviets develop their own ABM and ASAT capabilities while the United States remained passive. They are sensitive to the American allegations of Soviet violations of existing arms agreements, and to the argument that SDI is a "strategic defense reaction." They

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know that there is no way to resist technological progress, and are anyway familiar enough with American unilateralism to understand that the future course of American policy on SDI will only be marginally affected by the Europeans, and rather more by U.S. national factors—both domestic and political—and by the bilateral dialogue with the Soviets.

Europeans hope that, at some point, Washington will make concessions, trading a cutback in SDI for deep reductions in offensive weapons. But they cannot say this openly or they risk jeopardizing arms negotiations. Like the Soviets, they speculate about the attitude of the next American president in 1988. Even in 1985 they observe that the U.S. Administration has signaled a cautiousness, for example in the restricted interpretation of the ABM treaty. Moreover, President Reagan declared on June 10 that the United States will continue to abide by the terms of the unratified 1979 second Strategic Arms Limitations Talks (SALT II) agreement, and would dismantle older Poseidon submarines in order to avoid violating the treaty. In September the U.S. Congressional Office of Technology Assessment released a report concluding that the development of a space-based nuclear missile defense might make a U.S.-Soviet conflict more likely, because of doubts about the feasibility of providing a leakproof nuclear umbrella. The Pentagon immediately disputed the report, but said that the United States would not deploy such defenses unless they were proven to contribute to military stability.

This is the uncertain context within which the European-American dialogue on SDI developed in 1985. The first European reactions were essentially political. Thus, British Prime Minister Margaret Thatcher praised President Reagan when she visited Washington in February, and strongly endorsed SDI, partly to offset the bad impression left after her meeting with Gorbachev in December. At the Bonn summit meeting in May, both she and West German Chancellor Helmut Kohl expressed their support for SDI, though President Mitterrand blocked a summit endorsement.

Behind this facade of near unity, the real positions of the three main European leaders were in fact more qualified. In December 1984, Mrs. Thatcher told Mr. Gorbachev that "research is within existing agreements" but "if the result of research is such that it is decided to go ahead with production and deployment, that has to be a matter for negotiations before those deployments could take place," a position that the United

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States endorsed. Very indicative of British second thoughts was Foreign Secretary Sir Geoffrey Howe's speech of March 15 to the Royal United Services Institute:

> There would be no advantage in creating a new Maginot line of the 21st century, liable to be outflanked by relatively simpler and demonstrably cheaper countermeasures. . . . We must make sure we are not developing what might prove to be a limited defense against weapons of devastating destructive force. . . . The allies must ask whether the enormous funds to be devoted to such systems might be better employed on other forms of deterrence.

Mr. Kohl endorsed SDI very early, particularly in a speech to the Wehrkunde conference on February 9. He declared in his Bundestag speech of April 18 that "the American research program is in our view justified, politically necessary, and in the security interests of the West as a whole." Again in May, the chancellor gave a spectacular statement of support to SDI—which was then interpreted as a gesture in return for Mr. Reagan's visit to Bitburg. All this reflects the traditional German concerns for its security ties with the United States. The Federal Republic is not in a position to oppose Washington on SDI, but Bonn hopes to have some influence on Washington on that matter.

Mr. Kohl, however, has reasons to be seriously embarrassed. The Social Democrats are definitely opposed to SDI, which they see as an obstacle to an agreement on intermediate nuclear weapons. They also worry about the future of Ostpolitik. Indeed, through various channels the Soviet Union has multiplied warnings about German participation in SDI. Just before the resumption of the Geneva negotiations in March, West German Foreign Minister Hans-Dietrich Genscher rushed to Moscow. The chancellor was also in trouble with several of his ministers; Defense Minister Manfred Wörner and Research Minister Heinz Riesenhuber are less than enthusiastic about the American initative; Martin Bangemann, the minister of economy, is skeptical about the technological fallout of SDI.

Be that as it may, both the United Kingdom and the Federal Republic tried to obtain specific U.S. commitments to get a sizable share of the SDI cake. Mrs. Thatcher requested in vain that $1.5 billion be made available over five years to the British firms cooperating with SDI. Her then defense secretary, Michael Heseltine, was unable to get precise answers to a series of question such as: how much of the technology resulting from

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British scientists' research will be available for use in Britain for its own civil service and military development program? Will other sensitive technologies be available to British scientists? How much will be assigned to Europe once the relatively inexpensive research contracts turn into bigger hardware projects? On December 6, a "Memorandum of Understanding" was signed between Britain and the United States, but left the answers rather vague.

On the West German side, two missions were sent to Washington. The second, in September, was led by Horst Teltschik, an adviser to the chancellor and a great supporter of SDI. It seems that the United States reconfirmed that SDI research will stay within the ABM treaty framework; that there will be no decision on SDI deployment without prior consultations with America's allies and the U.S.S.R.; and that no system would be deployed if the U.S.S.R. were in a position to neutralize it at low cost by merely increasing its offensive potential. At year's end, no answers were clear to other German questions on such sensitive matters as technology transfer.

As for France, its official reaction to SDI has been more than reserved. As early as June 1984, France proposed a five-year renewable moratorium on testing and deployment of ABM systems and a strict limitation of ASAT systems able to reach high-orbit satellites. For the French, SDI could erode the very foundations of nuclear deterrence; it seems likely to affect strategic stability and to pave the way for a new arms race in all fields. Mr. Mitterrand refused to approve SDI, though when Mr. Gorbachev visited Paris the French president carefully avoided associating himself with the Soviet condemnation of the American program and thus did not allow the Soviet Union to drive a wedge into the alliance. His foreign minister, Roland Dumas, recognized during a visit to the United States that SDI has some advantages.

Although some leaders of the French opposition, such as Valéry Giscard d'Estaing and Jacques Chirac, expressed a more positive attitude with respect to the Reagan initiative, it does not necessarily mean that they do not share the general European concerns on the subject. The heart of the matter is the fate of the French nuclear forces and, more generally, the evolution of the whole French strategic concept in the next 20 years: what kind of space policy should France set up, with or without its European allies and with or without the United States? In theory, the French and the British are in the same

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boat, but the British strategy is less focused on nuclear deterrence. In addition, Britain is increasingly dependent on the United States for its nuclear arsenal, since its maintenance relies on tight cooperation with America. The Polaris missiles which equip the British submarines, for example, are American.

V

The practical European-American negotiations on SDI in 1985 were clearly centered on economic and technological interests. It is doubtful in current circumstances that Europe will get a significant share of SDI contracts. The big American firms—Boeing, Lockheed, McDonnell Douglas, LTV, Teledyne, Rockwell, TRW, Hughes, AVCO and Litton—are eager to share the cake among themselves. The more time elapses, the more difficult it will be for European firms to participate significantly in projects whose architecture is being framed around American giants. At the end of the year the initial European fears, that they will be left only with scraps and the possibility of a brain drain, have not vanished. The legal problems of SDI transatlantic cooperation are still unclarified.

Beside the strategic aspect of the SDI debate, there is clearly a major concern for the fate of European high-technology industries, and the question of the technological gap between Europe and the United States. This is not a new question. The theme of Eurosclerosis, or the decline of Europe, has been fashionable in the last two years; but it was already discussed in the 1950s, and again in the mid-1960s. In a speech delivered in The Hague in February 1984, President Mitterrand suggested that Europe should develop a military space program, a pledge that he renewed in his November 21 press conference. However, when France spelled out the program on April 17, calling it the European Research Coordinating Program (Eurêka), it was clearly presented as a program to enhance European technology in general.

French Foreign Minister Dumas wrote his European colleagues on June 14 that the Eurêka project "must result in the launching of finalized programs, defined in close consultation with industry and mobilizing European research workers and companies around specific objectives likely to result in commercial applications in the long run." Mr. Mitterrand later explained that Eurêka is a matter of "ensuring the technological independence of Europe in the vital fields of the future,

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and encouraging wherever possible cooperation between companies and European researchers, to mobilize the corresponding financial means and support the effort of firms by creating the necessary environment and by promoting the unification of our domestic market." Thus, Eurêka is clearly not a space program (it emphasizes, for instance, biotechnologies), even less a military one. From the outset, it was said unambiguously that Eurêka was not a response to SDI.

It is not yet easy to assess the real scope of Eurêka. It is hard to know how much fresh money will be allocated to the ten identified projects; for instance, in West Germany as well as France, much of the funding will actually come from reallocation of existing budgets. In addition, a country such as Britain, which remains extremely reserved about public funding, considers that what is really important is to liberalize the European high-technology market, in order to give European firms a better chance to be successful. In the same vein, the Federal Republic has reservations about the idea that there could be European preferences in the Eurêka framework.

The French concept of "technological independence" is obviously not shared by many of its partners. This, too, is not a new story. The Eurêka structure will remain the rather heavy one of ministerial conferences (the next one will take place in London in May 1986), assisted by a light secretariat. If Eurêka and the EEC are disconnected, this raises many questions: for instance, how to discriminate between countries, in particular East European countries, which express an interest in joining?

As Eurêka was announced not to be a European response to SDI, it is politically easy for the United States to wish the program well. This allowed Mr. Kohl and Mrs. Thatcher to participate (though obviously without enthusiasm) in the Eurêka game without running the risk of clashing with the United States. Whatever the fate of Eurêka, it should have some positive effects, even if modest in comparison to its political noise, for the technological cooperation of European firms.

The question of a "European Defense Initiative" remains entirely open. West German Defense Minister Wörner suggests that the European allies should undertake joint research into a land-based antimissile system to counter Soviet short-range ballistic missiles. If nothing is done, Mr. Wörner thinks that the Soviets could develop a first-strike nuclear or conventional option to wipe out NATO command and control centers, airfields, nuclear weapons storage sites, ammunition stores and

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such. Many in Europe share this view. Whether an EDI is politically, economically and technically feasible is a highly controversial question. But it is worth being debated, even if—contrary to the intent of Eurêka—it could generate major transatlantic frictions, a perspective which would be sufficient to paralyze any move forward.

The record for French-German cooperation on armaments and space projects in 1985 does not leave room for optimism. The French-German tank will not be realized. France's participation in the European fighter plane project will probably be limited. The Germans rejected the Hermès project (a European space shuttle), and refused to participate in the funding of a European observation satellite. Many difficulties still exist over the French-German antitank helicopter. The rhetoric about the erection of a European security pillar, resting on a French-German basis, cannot conceal the fact that France and the Federal Republic still have fundamentally different visions of their security problems. NATO and French strategies, such as they now stand, remain antinomic.

VI

Altogether, 1985 has not been a bad year for European-American relations, for all the worrisome possibilities. SDI is an extremely sensitive issue on both sides of the Atlantic. If the Soviet-American dialogue drags on without significant agreement, the Soviets might have an opportunity to manipulate European public opinion, and perhaps more successfully than during the Euromissile crisis. If, on the contrary, the dialogue works well, there is the risk of "condominium"—to recall Michel Jobert's warning of 1973. The superpowers may be tempted to impose their own solutions in regional conflicts, ignoring third parties' interests. And clashes on economic questions remain a permanent danger.

In 1985 the European constellation of stars was still favorable to the United States. But most of the European governments are weak: how long will Bettino Craxi, Helmut Kohl, Ruud Lubbers, Wilfried Martens, François Mitterrand and Margaret Thatcher remain in power? What will be the outcome of the French legislative elections in 1986, and of the German and British elections in 1987? Will the popularity which the United States enjoys today in Europe survive Reagan? In transatlantic relations, a good climate can never be taken for granted.

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Alan D. Romberg

NEW STIRRINGS IN ASIA

Over two decades, Americans have come to expect dynamic economic growth and relative political stability in East Asia. Until recently, China was the perennial exception, and the Soviets had no regional role to speak of. Today, these judgments are being reexamined. The region is not necessarily in trouble, but it is in ferment, and the future is less sure—for itself and for American interests—than it seemed even a short while ago. Furthermore, the economic and political stirrings are not of a short-term nature; they involve generational and systemic transitions within the region and shifting roles for external actors, including the United States and, now, the Soviet Union.

The year's most dramatic development in Asia was the introduction of truly revolutionary social and economic reforms in China. The ultimate success of this undertaking by Deng Xiaoping is of historic significance and will have a major impact on the rest of Asia and on the United States. But while Deng scored some major victories in 1985, these were not unambiguous, and future challenges seem sure to arise.

Of more immediate concern to most countries in the region was the general downturn in their own economic performance. With few exceptions, annual real growth of seven to eight percent over the past two decades had led observers to tout East Asia as a region of "economic miracles" and a model for others. This past year, as growth dropped to five percent or lower, the question arose whether this was not far more than a cyclical downturn—whether, indeed, a new era had not dawned, one of considerably slower growth with potentially significant social and political consequences.

Individual economies suffered from individual problems: a high-wage policy and inappropriate investments in Singapore; questionable industrialization policies in Malaysia and Indone-

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sia; a crisis of confidence in government and an inadequate financial and regulatory structure in Taiwan; and a host of problems in the Philippines. With time, and proper decisions, these can be overcome. More worrisome is the fact that, with shrinking world demand and growing excess productive capacity, all East Asian economies face an indefinite period of depressed markets not only for traditional commodities such as sugar, rubber, palm oil and metals, but also in manufacturing sectors such as garments, steel, shipbuilding and semiconductors, on which many have counted to provide employment and raise standards of living for their burgeoning populations.

The export-oriented countries of Asia can no longer take for granted the open and generally growing American markets that have been crucial to the expansion of their economies over the years. On the heels of huge 1984 deficits in U.S. trade with Japan (and the rest of the world as well), and facing even worse projections for 1985, a Japanese announcement that auto sales to the United States would rise by almost 25 percent triggered a protectionist outpouring on Capitol Hill last spring. Anger against Japan was only part of a more pervasive mood. A number of politically sensitive U.S. industries are in trouble, and a wave of resentment has been building against those who benefit from our open markets while keeping theirs closed.

President Reagan succeeded in deflecting immediate protectionist demands by adopting a more aggressive policy. His decision in September to redress "unfair" practices of U.S. trading partners, and the Group of Five's agreement that same month to realign exchange rates, represented significant policy departures and Congress decided to give them time to work. But by the end of the year, the Hill was restless again, threatening swift and harsh action early in 1986.

The Asian reaction to U.S. pressure was largely negative. Some, like Taiwan, acted preemptively to offset the effects of a large trade surplus with the United States by giving satisfaction on such sensitive issues as protection of intellectual property rights and freer markets for cigarettes, wine and beer. But where the United States began to raise specific trade complaints, one began to see an unprecedented degree of irritation. In smaller countries, the sense of being punished for Japan's sins and America's profligacy began to grow, and anger along with it. Although he took a hard line against Japan's trade practices, Singapore's Prime Minster Lee Kuan Yew dedicated most of his address to the U.S. Congress in October to scolding

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America for seeking to resolve its problems at the expense of others, and to warning of the negative political, as well as economic, consequences of such actions.

Most of the countries of East and Southeast Asia face major political transitions over the next five years, in some cases changing leaders for the first time in a generation, and "social compacts" allocating economic and political power are beginning to fray. A whole generation of more assertive and better educated young people has come of age, impatient with the domestic and international bargains struck by their elders. They are already demanding a greater political voice in decisions affecting their future. Should there be a prolonged economic downturn, pressures for rapid political change would increase sharply. Stability and security are still paramount in Asian societies, but from Korea to Taiwan, from the Philippines to Singapore, Malaysia and Indonesia, a groping for new political structures, indeed, for a new sense of national identity, is creating pressures not only in domestic politics but in relations with the United States as well.

With the growing Soviet presence in Asia, the United States confronts new challenges. Even before 1985, Moscow had deployed its largest naval fleet, one third of its combat forces (including at least 135 SS-20 intermediate-range nuclear missiles), 2,000 combat aircraft, and some 80 long-range bombers in north Asia. It had also deployed 20 reconnaissance and attack aircraft to facilities in Vietnam, along with a squadron of MiG-23s and a vast electronics intelligence apparatus. This past year saw Moscow's increasing use of the Vietnamese air and naval facilities, provision of at least one squadron of MiG-23s to North Korea in return for overflight rights (facilitating transport to Vietnam as well as reconnaissance of China), and increasing modernization of Soviet forces in Asia.

Soviet diplomatic flexibility in Asia represented a new trend in a region where Moscow has often blundered in the past. Sino-Soviet relations improved notably. The Soviets also showed a new smiling face to Tokyo, and they dispatched their highest-ranking visitors in two decades to Southeast Asia, offering technical assistance—and markets—for troubled export products, and pressing a variant of their former Asian Collective Security proposal. While many nations in the region were wary of going too far, even Thailand, worried about shrinking markets, began to argue for separating economics from politics. The Soviet Union scored a notable success when it took advan-

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tage of a dispute with U.S. tuna fishermen to buy fishing rights in waters around the island nation of Kiribati (formerly the Gilbert Islands). Though only for one year, and with no provision for onshore facilities, few doubted that this was but the beginning of a long-term effort to expand Soviet naval presence. Congress reacted by ratifying a pact with Micronesia and the Marshall Islands before the end of the year, denying the Soviets access to other vast areas of the Pacific.

Moscow is also the potential beneficiary of the U.S. dispute with New Zealand over the new Labour government's exclusion of all nuclear-powered and nuclear-armed ships from its ports. Military cooperation was suspended in February, and with the introduction of a bill in Wellington that codified the ban, chances are high that the United States will eventually terminate its defense commitments to its long-time ANZUS (the Australia-New Zealand-U.S. security pact) ally.

Ironically, while dialogue with friends and allies took on a somewhat sharper edge in 1985, Vietnam and North Korea appeared to reach out for closer links with the United States. Hanoi and Pyongyang were probably both motivated in part by hopes of economic benefit. But Vietnam's decision to accelerate resolution of the lingering problem of Americans missing in action and North Korea's pursuit of dialogue with the South also seemed motivated by a desire to generate U.S. interest in peace agreements in Cambodia and on the Korean Peninsula.

Thus, while 1985 may not have brought many dramatic changes to Asia, a number of factors emerged with both immediate and longer-range implications for the United States. Whether presenting challenge or opportunity, they required reexamination of many of the complacent assumptions on which U.S. policy had rested for years past.

II

Although the U.S.-Japan trade problem is often cast in terms of the huge bilateral imbalance or specific market-access questions, in economic terms bilateral balances are generally irrelevant, and Japanese trade barriers are not terribly significant either.[1] In fact, what really upsets Americans most is the issue

[1] The bilateral trade deficit amounted to $36.8 billion in 1984 and is estimated to be upwards of $50 billion in 1985. According to C. Fred Bergsten and William R. Cline, removal of all Japanese trade barriers would only reduce it by $5–8 billion. *The United States-Japan Economic Problem,* Washington: Institute for International Economics, October 1985.

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of "fairness." There is a strong sense among businessmen, labor leaders, politicians and diplomats that Tokyo manages its trade in either illegal or simply selfish ways to seize U.S. markets while protecting their own. Most administration and congressional leaders recognize that the largest part of the trade imbalance is caused by the U.S. budget deficit. But that has not reduced the emotional content of the fairness issue or eased the strains.

The Japanese have been particularly stung by charges of unfairness—"nothing is more shameful" than to be so labeled, Prime Minister Yasuhiro Nakasone has said. They also recognize they have a tremendous amount at stake. Thus, though they believe the United States is mainly at fault, the Japanese have taken a number of steps to reduce frictions.

In his meeting with President Reagan in January 1985, Nakasone took the initiative to discuss trade issues and to establish sectoral negotiations on some of the longest-standing problems.[2] In April, the prime minister made an unprecedented appearance on Japanese television to announce the seventh market-opening package in three years and to appeal to the Japanese people to buy more imported goods.

On July 30, Nakasone announced an "Action Program," which not only looked to reduce tariffs on over 1,800 items, but, more important, mandated procedural, regulatory and even legal changes to facilitate imports. These improvements included easing of testing, standards and certification requirements, simplification of import procedures, more reasonable arrangements for those seeking government contracts, further liberalization of financial and capital markets, and measures to actively promote imports of goods and services.

Despite the far-reaching potential of these changes and the fact that the United States had sought many of them for years, the American reaction to Nakasone's initiatives has been skeptical. However important to the specific industries involved, the impact of the sectoral talks on the overall picture will not be significant. And market-opening packages are all too familiar—and all too disappointing.

Thus, these measures paled in significance to Tokyo's announcement on cars. Many in Congress blamed the President for not seeking a fifth year of auto restraints; the resolutions,

[2] Initial areas for negotiation included telecommunications, electronics, pharmaceuticals and medical supplies, and forest products.

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which passed overwhelmingly (92–0 in the Senate), calling on the President to retaliate, laid down a marker for both governments that "free trade" is an inadequate policy if practiced by only one side. If fair trade means managed trade, they said, so be it. Although the President's more active trade policy and agreements in most of the sectoral negotiations by the end of the year eased immediate pressures, the battle will be joined on the Hill once again when the 1985 trade figures are released in the first months of congressional election year 1986. Among others, Senate Majority Leader Robert Dole (R-Kans.) concluded at year-end that "it is time to take stronger action" against Japan.

Even if the harshest protectionist measures are avoided in 1986, the problems will not go away. Despite the fact that some Japanese producers have already begun to raise export prices, many observers doubt the 15-percent improvement in the yen-dollar exchange rate since September can be sustained without further changes in the underlying fundamentals in both economies.[3] Meanwhile, attitudes are hardening. While over half of Americans agree that Japan is being made a scapegoat for U.S. problems, almost half also think that trade with Japan is bad for the United States and almost two-thirds favor trade action against Tokyo. In Japan, the substance and, particularly, the tone of American criticism have angered even government and business executives generally friendly to the United States.

Thus, as both economies slow down, and as they compete ever more fiercely in traditional areas and new technologies, the two governments will find it increasingly difficult to manage the multiplicity of trade problems unless the "Pearl Harbor" rhetoric fades from American statements and a more responsible and activist attitude is adopted by Japan.

Discontent over trade relations has had only marginal spillover to defense issues. There is general agreement even in Congress that, while Japan can and should do more to upgrade its defense efforts, it is an excellent and valued ally. Contributing to this positive assessment was an implementing agreement for the transfer of Japanese military technology to the United States that was reaching completion at year-end; the first transfer is planned for early 1986.

[3] Other observers, it should be noted, predicted a collapse of the dollar, which would accelerate improvement of the balance of payments problem, but at the cost of rapid inflation and severe recession in the U.S.

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A new element in Washington's evolving relationship with Tokyo is the increased activism of Japanese foreign policy. Japan placed great emphasis on Soviet Foreign Minister Eduard Shevardnadze's visit in January 1986 as the first step in resumption of regular foreign-minister-level talks with the Soviet Union, suspended since 1978. During that visit, it was agreed to resume negotiations on a peace treaty, but the long-standing dispute over the four islands off Japan's northern coast occupied by the Soviet Union was not resolved. Nonetheless, Nakasone seems determined to deal Japan directly into the major power game. He lifted sanctions imposed against Moscow after the invasion of Afghanistan and the imposition of martial law in Poland, and agreed to resume scientific and trade cooperation with the Soviets. An exchange of visits between Nakasone and Soviet Party General Secretary Mikhail Gorbachev was proposed. Similarly, Tokyo will give new attention to Latin America and Africa, and Japanese foreign policy initiatives will increasingly go beyond strictly economic issues, as seen in Tokyo's recent imposition of sanctions against South Africa. Although Japan will want to be an independent actor on the world stage, at this point there is no reason to believe that the close coordination of policy between Washington and Tokyo will suffer. If anything, as a partial counterweight to trade frictions, it is likely to be closer than ever, as Japan will want to make a positive contribution to resolution of issues such as arms control, Korea, Indochina and the Middle East—not complicate them.

Many Asians fear that new Japanese political activism will lead to remilitarization. For them, historical memories of Japan's "Greater East Asia Co-Prosperity Sphere" are still vivid, and Prime Minister Nakasone's honoring of the war dead in mid-August, in the first official postwar visit to the Yasukuni Shrine, occasioned a sharp outcry, especially in China. (As a result Nakasone canceled a subsequent shrine visit in October.) Yet, the current aversion to militarism is strong in Japan, and confidence in U.S. security commitments remains high. Rearmament is, therefore, unlikely. But the coming generation of Japanese political leaders does not have a particular sense of guilt about the war or a strong sense of indebtedness to America for generosity in its aftermath; one ought not, therefore, assume that current constraints will always outweigh other considerations if, over time, Japan feels isolated and besieged.

In any case, for some time to come it will not be in the area

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of political or security issues that Japan will have the greatest international impact, but in economics. And it is there that developing and developed countries alike feel Tokyo has a responsibility to lead. Japan's decision to devote $40 billion to overseas development assistance between 1986 and 1992 is important in this respect, but it will not substitute for further steps to liberalize trade.

As Mr. Nakasone told the U.N. General Assembly in October, "Today it is Japan's turn to help others." He and his government will have an opportunity to give substance to that sentiment when they host the next annual economic summit in May 1986 and during the General Agreement on Tariffs and Trade (GATT) trade round due to open in the fall. If they do not do so, the consequences for American trade policy—and for broader aspects of U.S.-Japan relations as well—will be severe.

III

Of all the stirrings in Asia in 1985, none were more important than those in the People's Republic of China. Japan's problems were a product of its international economic involvement; China's international economic involvement was a product of its efforts to reshape its entire society.

Deng Xiaoping has called the current Chinese economic and political reform an experiment and a revolution. It is clearly the former, and potentially the latter; China is trying to maintain a delicate balance between central political and economic control on the one hand, and individual initiative and reliance on market forces on the other. In 1985 Chinese planners shifted attention from successes in the crucial but comparatively easy area of agriculture to begin reforms in the more complex urban and industrial sectors.

Guidelines for the seventh Five-Year Plan (1986–90) introduced in September are designed first and foremost to support reform. Scheduled for adoption early in 1986, the plan calls for movement away from micro-management of industry by administrative fiat toward guidance through macroeconomic tools such as tax, credit, interest rate, and foreign exchange policies. Beyond providing jobs for 140 million people over the next five years, the objective is a geographically and sectorally balanced, technologically advanced and steadily developing base for economic take-off in the 1990s and beyond.

The first easing of controls in late 1984 and early 1985

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brought an explosion of consumer buying and new capital construction, causing serious resource dislocations and a sharp drop in foreign-exchange reserves. Beijing declared initial success in handling these problems, and reported that industrial growth had dropped from an annual rate of over 22 percent in the first half of 1985 to 8.8 percent in November. Elder statesman and economist Chen Yun nevertheless felt it necessary to lecture his colleagues about controlling the pace and direction of reform. He warned that too much emphasis on individual and local initiative would lead to economic distortions, corruption and social inequities. In a year when China altered its grain procurement system, Chen pointed to lower production and echoed Mao Zedong's warning: "Grain shortages will lead to social disorder."

Nonetheless, the majority view was reflected in the statement of another Politburo member who said: "We are bound to encounter some trouble. It is unavoidable that we shall pay some price. However we must adhere to the orientation of reform because we have no way out without reform."

Price reform was a major element of the 1985 effort and a key to its eventual success. However, both for ideological reasons and for fear of losing control, price changes were allowed only for some products and within fairly strict limits. Although wages have generally stayed ahead of inflation, there was considerable concern when, at midyear, authorities reported nationwide price increases of 7.7 percent, with the figure reaching over 11 percent in large cities. It was therefore decided that no new measures to increase prices would be introduced in the second half of 1985 or in 1986.

As China sought to move ahead and not simply to correct dislocations, it was clear that technical fixes would not suffice—attitudes needed to be changed as well. Not only was corruption a problem, but so were the inroads of "bourgeois liberalism" and the excessive promotion of individual gain rather than common prosperity. New emphasis was placed on developing a "spiritual civilization," embodying socialist values and Marxist-Leninist ideology. Some powerful figures used this theme to criticize and slow down the reformers, but Deng Xiaoping typically co-opted his critics by stressing the need to apply ideology "creatively" in line with China's circumstances rather than as fixed dogma.

In September, Deng pushed major leadership changes through a crucial party conference. Not only did he hope to

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institutionalize the succession process but also to guarantee continuation of his reforms. The core group of the six most senior party leaders in the Politburo Standing Committee was altered only by the retirement of the frail 88-year-old Ye Jianying, but Deng used the wholesale shake-up of senior government and party cadres at local levels under way since 1982 as the basis for major changes in the entire Politburo, the Central Committee and the Party Secretariat.[4] He brought in younger, more technically qualified successors and sharply reduced the role of the military in the national political leadership. (A major reform of the People's Liberation Army itself was announced in June involving a reduction of 25 percent—or one million troops—over the next two years, major organizational shifts, and replacement of most of the senior military commanders.)

The leadership changes were not entirely trouble free. Media attacks reflecting resentment at the unceremonious dumping of the older cadres and insufficient attention to creation of a consensus suggest there is further educational and organizational work to be done. A near-crisis developed in the closing months of 1985 when students severely criticized various aspects of the reform. Facing what threatened to become mass demonstrations reminiscent of the Cultural Revolution, the leadership undertook an intensive campaign to stress the need for discipline, explain the reform's objectives more clearly, acknowledge the urgent need for ending official abuses, and assure the students that lines of communication remained open.

The economic reform's twin emphases on "opening to the outside world" through trade and investment and the maintenance of a peaceful international environment are the key elements of China's foreign policy. Alternating cycles of "blindly worshipping everything foreign" and quasi isolationism are to be replaced by a consistent "basic" policy of interaction with other countries grounded in equality and mutual benefit. While not totally without precedent, the deep commitment to permanent interdependence and its elevation to a place of central importance in China's overall economic policy is new. So too is the degree of explicitness with which Beijing now conditions its reforms on the maintenance of peace. Both

[4] Over one million "veteran cadres" at the county level and above have been retired since 1982 and, at the provincial level, all but four government and party leaders age 65 or over have left office.

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elements underlie China's policies toward the Soviet Union and the United States.

Following two decades of estrangement and occasional hostilities, in the early 1980s Moscow and Beijing began groping their way back, not to the erstwhile alliance of the early 1950s, but toward a more normal relationship. Animosities remain deep, with both historical/geostrategic and political/ideological roots. Deng Xiaoping is among those most suspicious of Moscow's long-term objectives, and the feelings are reciprocated. Having pulled back from the brink of war in 1969, however, neither side has seen direct military confrontation as in its interests, and tentative moves to improve relations were made in Leonid Brezhnev's last days and during Yuri Andropov's brief tenure. But the effort only gained real momentum at the end of 1984 with the visit of First Deputy Premier Ivan Arkhipov, a man closely identified with pre-1960 Soviet aid to China, and the signing of agreements on economic, technical and scientific cooperation.

With Gorbachev's installation as Soviet general secretary in March 1985, the relationship was given a further boost. In his first official statement, Gorbachev called for "serious improvement" in Sino-Soviet relations, a sentiment immediately echoed in greetings to him from Chinese General Secretary Hu Yaobang.

Semiannual talks on normalizing relations, begun in 1982, continued, with the sixth session in Moscow in April, the seventh in Beijing in October. Although the scope of these talks expanded somewhat (to include "politics" and "international issues"), there has been no breakthrough on the three security-related "obstacles" Beijing says must be overcome before relations can be normalized: removal of Soviet forces (including those in Mongolia) from the Chinese border; withdrawal of Soviet forces from Afghanistan; and cessation of Soviet support for Vietnam's aggression against Cambodia. Nonetheless, the first exchange of visits by foreign ministers in over 25 years was agreed to in principle and is anticipated during 1986.[5]

The pace of meetings and agreements on economic, consular, cultural and scientific questions accelerated throughout the year, and rhetorical stridency subsided. There was even a

[5] At year-end, Chinese officials were cautioning that no date had been set. Nonetheless, failure to carry out the visits in 1986 would be a setback to current trends.

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military dimension to the thaw, as soldiers at border stations exchanged visits, Chinese World War II victory anniversary celebrations highlighted the Soviet role in China (and hardly touched on the far more extensive U.S. effort), and a Soviet "friendship group" touring China turned out to be headed by a Soviet air force lieutenant general.

In July, Vice Premier Yao Yilin signed a five-year trade agreement in Moscow, the first long-term trade agreement in two decades. It provided for $14 billion in trade, doubling the annual figure to $3.5 billion by 1990. The Soviets also agreed to refurbish 156 factories they had built in China a quarter century earlier. In addition, early 1986 was set as the date for the first meeting of the joint commission on economic, trade, and science and technology cooperation created during Arkhipov's visit. While Yao's trip was hailed in China as "a new breakthrough," one Chinese journal going so far as to proclaim, "The years of estrangement in Sino-Soviet relations are now over," Yao himself gave a more sober appraisal of the long-term implications: "I think many things remain to be done to realize normalization."

Although Hu Yaobang occasionally seemed more hopeful about Sino-Soviet relations during the year, Yao's more cautious view reflected Deng Xiaoping's consistent skepticism. As early as April, Deng saw no fundamental change in Soviet policy and said the "true face" of the new Soviet leadership would only become clear after several years. Looking back on the Kremlin's policy as the year wore on, he observed, "Six months later there has been no sign of improvement." Despite Vice Premier Li Peng's meeting with Gorbachev in Moscow late in December, there is no reason to expect a sudden change in this assessment.

Though strategic concerns and its position in the U.S.-Soviet-Chinese triangle are not absent from China's calculations toward the United States, promotion of its economic reform was Beijing's principal objective in the generally steady, if unspectacular, course of improvement in U.S.-China relations in 1985. Trade through the first three quarters was up over 25 percent, heading for an annual total exceeding $7 billion. Although high technology shipments have increased since China was placed in a normal export control category in 1983, Beijing has continued to be frustrated in its efforts to speed such transfers. Commerce Secretary Malcolm Baldrige and Vice President George Bush, who both traveled to China during the

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year, pledged their efforts to accelerate the process. Despite some progress in 1985 and significant improvement predicted for 1986, at year-end Foreign Minister Wu Xueqian was still complaining about U.S. "discrimination" against China as a "potential adversary."

Except for offshore oil, American investment remained minimal, at about $150 million. Despite certain advantages—cheap labor and a generally positive attitude toward foreign investment—the legal and administrative framework in China was still inhibiting.

Chinese President Li Xiannian's visit to the United States in July began amidst a controversy over Washington's withholding of $10 million from the U.N. Fund for Population Activities because of alleged forced abortion and sterilization in China. The issue was at the center of several months' delay in Senate confirmation of Winston Lord as the new U.S. ambassador to Beijing. Although it has not seriously damaged Sino-American relations, it will be hard to put to rest given its political sensitivity in both countries.

Nonetheless, the trip of this reputed hard-liner was hailed in China as a "complete success," and Li was particularly appreciative that President Reagan met with him within days after Mr. Reagan's cancer surgery. Four agreements were signed during the visit, the most important of which was the Agreement for Cooperation on Peaceful Uses of Nuclear Energy, pending since President Reagan's trip to China in spring 1984 because of American concerns over China's nonproliferation policy. Although the Administration was finally satisfied, many in Congress considered the agreement's inspection and other safeguards provisions inadequate. In the end, Congress reluctantly went along.

Beyond an active exchange of high-level military visits throughout the year, attention focused on possible U.S. military sales to China. In June 1984, President Reagan had approved China's eligibility for government-to-government military sales. Twenty-four civilian helicopters and five naval gas turbine engines had been sold commercially, but the first Foreign Military Sales (FMS) transfer was not approved by Congress until October 1985—an ammunition factory worth $6 million (with potential sales to $98 million). Antiarmor, antisubmarine and upgraded air defense systems remained under consideration.

The first visit to China by a U.S. Navy ship was scheduled

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for late spring, but it had to be postponed amid controversy over whether the ships carried nuclear weapons. China claimed it had assurances they would not; the United States disavowed any deviation from its firm policy of neither confirming nor denying the presence of nuclear weapons on its ships. Flaunting U.S. sensibilities, Hu Yaobang announced the U.S. "agreement" in an interview with reporters from New Zealand, with which Washington was in the midst of a major confrontation on this precise issue.[6]

The "Taiwan question" was generally quiescent in Sino-American relations during 1985. U.S. arms sales to Taiwan exceeded Beijing's preferences and fell short of Taipei's but were at levels tolerable to both. A nagging issue and potential major problem seemed headed for resolution when Taipei announced that within six years it would produce an indigenous fighter plane roughly equivalent to the American F-20, denied them in 1982.

In a May interview with the editor of a Hong Kong journal, Hu Yaobang raised the prospect of eventually attacking or blockading Taiwan, but his words seemed designed more for effect than a reflection of considered policy. And while the issue received renewed attention when Vice President Bush was in Beijing, it did not dominate the trip. By year-end Chinese officials were once again highlighting positive aspects of Sino-American relations "despite" the Taiwan issue, expressing patience over a time frame for resolution. Meanwhile, indirect trade between Taiwan and the mainland probably exceeded one billion dollars in 1985, and Beijing agreed to Taiwan's continued participation in the Asian Development Bank after Beijing joins; whether Taiwan will agree to stay under the designation "Taipei, China" remains to be seen.

Throughout 1985 China laid great stress on its "independent foreign policy," and for most of the year tended to lump the United States and the Soviet Union in the same hegemonist category. In part it was an effort to burnish its Third World credentials, in part a message to Washington and Moscow that it would ally with neither one. It also seemed a gesture of reassurance to internal critics who saw reform leading down the capitalist road. However, as U.S.-Soviet relations began to improve toward the end of the year, China began to underscore

[6] For its part, toward the end of 1985, the Chinese navy for the first time dispatched vessels on port calls to Pakistan, Sri Lanka and Bangladesh.

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that "independent" did not mean "equidistant" and, at least in private, to warn once again of Soviet expansionism.

If one accepts that China's modernization is in U.S. interests, a Chinese foreign policy which supports the economic reform is also in U.S. interests. Thus, so long as specific elements of that policy are not overly troubling, cooperation with China will continue. At the same time, it is well to keep in mind that Deng Xiaoping's vision is long-term: "By the middle of the next century, when we approach the level of advanced countries, then there will have been really great changes. At that time the strength of China and its world role will be quite different."

IV

If China is looking to the next century, the Philippines is looking to next month, and America's most troubled ally was the site of high drama as 1985 was drawing to a close. President Ferdinand Marcos, in power for 20 years, had called "snap" elections for February 1986, over a year before his current term of office was due to expire. Nonetheless, at year's end it was still uncertain if there would be elections; if there were, whether they would be free and fair; if they were free and fair, who would win; if Marcos lost, whether the entire process would be voided; and no matter what the eventual result, whether the Philippine government could cope with its host of economic, political and security problems.

Marcos' initial motivation for the early vote seemed to be to convince American critics he still had a popular mandate. But as it became clear that he would have to hold a real election (as opposed to a referendum, with no opponent), as the opposition finally united behind the popular Corazon Aquino, widow of slain opposition leader Benigno Aquino, and as long-standing questions regarding Marcos' health arose once again, the outwardly confident Philippine president may have concluded that his only assurance of victory would be a degree of electoral manipulation exceeding American—and Philippine—tolerance. So as December came to a close, although the Marcos-appointed Supreme Court allowed the election to go forward, its seven-to-five split vote was indicative of continuing uncertainty about the ultimate course of the election.

Popular beliefs to the contrary, the United States had not pushed for early elections. What Washington had pressed for, with increasing intensity, was economic, military and political

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reform to cope with a rapidly growing communist insurgency. It is estimated that over the past two years the New People's Army (NPA) has expanded by 20 percent annually, and that it now has some 15,000 to 20,000 full-time armed guerrillas and a like number of paramilitary forces operating in almost all of the Philippines' 73 provinces. Many of the new recruits and the vast majority of the nonmilitary supporters neither understand nor endorse the communist ideology of the guerrilla leaders and their political sponsors in the Communist Party of the Philippines. But they do know they are getting worse off under the present system.

Particularly following the Aquino assassination in August 1983, which was widely believed to have been ordered by the government, and in light of Marcos' uncertain health, the normal outflow of talent and capital swelled to a torrent, further debilitating an economy already characterized by an extreme concentration of wealth and widespread poverty and plagued by high-level corruption and economic mismanagement. Unemployment ran at an estimated 20 percent, underemployment another 45 percent. The Philippines' GNP actually dropped five percent in 1984 and a further four percent in 1985.

Thus, without adequate means of livelihood, abused and exploited by both their economic overlords and an underpaid, ill-trained and poorly led military, and with little hope of rectifying their situation through elections, large numbers of people began to join, or at least support, the NPA. Even in those areas where the guerrillas' Robin Hood image gave way to a harsher reality of intimidation and coercion, government passivity left many Filipinos little option but to acquiesce in insurgent operations.[7]

Indeed, one of the main problems was Marcos' tendency to dismiss the NPA threat and to view the insistent and unwelcome warnings from Americans as malign interference by bureaucratic and political enemies. Although his defense minister disagrees, Marcos has said the NPA could be wiped out in a year.

As the situation deteriorated, and as U.S. intelligence estimates gave Marcos no more than five years to effect fundamental controls or else face an unstoppable insurgency, civil unrest or both, President Reagan dispatched his close personal

[7] See Ross H. Munro, "The New Khmer Rouge," *Commentary*, December 1985.

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and political associate Senator Paul Laxalt (R-Nev.) to Manila in October 1985. Laxalt carried a supportive message, but one that conveyed unmistakable concern of Mr. Marcos' friend in the White House.

Mr. Reagan's concern went beyond America's historical association with the Philippines, beyond the extensive economic and political ties and the increasing family bonds (Filipino-Americans are fast becoming the single largest group of Asian-Americans). The President's concerns were strategic.

Clark Air Force Base and Subic Bay Naval Base are the largest overseas American air and naval facilities, and they are vital to the projection of U.S. force not only in the Pacific but in the Indian Ocean and Persian Gulf as well. Their loss would be a serious blow to effective military presence in the region, a prospect also disturbing to Manila's neighbors.[8]

The threat to Clark and Subic does not come only from the NPA. Although most Filipinos apparently favor the bases, many of Marcos' political opponents identify them with U.S. support for him and thus oppose their continued presence. Even though Mrs. Aquino has begun to hedge her position, without resolution of the multifaceted problems now facing the Philippines, the bases will be at increasing risk.

Whether there is an election, and regardless of who wins, these problems and the policy dilemmas they pose for the United States will not go away. The election results may alter the parameters somewhat, but the economy remains a shambles, the insurgency is becoming ever more aggressive, and political unity is elusive.

The October 1984 International Monetary Fund (IMF) standby agreement contributed importantly to successful rescheduling of the Philippine debt, to the drop in inflation from 50 percent in 1984 to single-digit rates by the end of 1985, and to the decline in interest rates from 45–50 percent to near normal levels of 17–19 percent over the past 12 months. But the Philippines' political future is obviously uncertain, and despite various steps to break up monopolies over key sectors of the economy such as sugar and coconuts, Marcos' "cronies" are still apparently in charge. Business confidence, therefore, remains low.

[8] On the other hand, despite the obvious political pitfalls in a post-Vietnam era, one hears with increasing frequency that hard-pressed Singapore shipyard owners and beleaguered Thai military commanders would welcome the opportunity to host American facilities.

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On the military side, following the Laxalt mission Marcos announced that he would "completely reorganize" the armed forces. But he has reinstated as its head the discredited General Fabian Ver, recently found innocent of involvement in Benigno Aquino's murder by a highly controversial judicial process. Marcos has indicated that Ver and other generals who have been held in office beyond their tenure will be retired. But it is far from clear that he will replace them with competent professionals who will put the necessary reforms ahead of their personal loyalty to the president.

And if Mrs. Aquino wins, while her moral authority will be great, her virtually total ignorance of domestic and foreign policy issues and her evident naïveté about the insurgents do not bode well for the future, either. But given the view of many Filipinos that Marcos will "do what he has to do" to win the election, this may only be an academic concern.

The Philippine people are divided between those who plead for the United States to solve their problems and those who resent overweening American interference. The fact is that U.S. interests are greater than U.S. influence, and while U.S. policy will be shaped to help the Philippines to the maximum extent, Filipinos must be responsible for their own future. Taking account of their talent and resilience, a senior American official has warned against pessimism and foreboding, noting "it would be foolhardy to embrace self-fulfilling prophecies of doom."[9]

Fair enough. But the path ahead is strewn with obstacles and risks. The first is the election, and it is only the first.

V

Many analysts have drawn parallels between South Korea (the Republic of Korea) and the Philippines. Both are run by authoritarian regimes closely identified with the United States. Both have active political opposition movements whose leaders have sometimes found refuge in the United States. Both have radical student movements that are becoming increasingly anti-American. Both are U.S. treaty allies and host major U.S. military bases.

But there the similarities stop. The South Korean economy is dynamic and has achieved remarkable successes, raising per

[9] Under Secretary of State Michael H. Armacost, speaking before the World Affairs Council of Portland, Oregon, Dec. 5, 1985. Mr. Armacost was formerly Ambassador to the Philippines.

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capital GNP from under $100 in 1960 to over $2,000 in 1985. Although peaceful transfer of power has been virtually unknown in the past, there is good reason to believe President Chun Doo Hwan will abide by his commitment to step down following elections in 1988. And in the face of a continuing threat from a larger military force to the north, South Korea has a highly trained, well-motivated and disciplined armed force.

Still, there was a restiveness in South Korea in 1985 affecting both its domestic and foreign affairs. At home, four days after opposition leader Kim Dae Jung returned in early February from two years of "medical treatment" in the United States, the political scene was transformed by National Assembly elections in which the fledgling New Korea Democratic Party scored a stunning upset victory in the cities and garnered a solid minority block of seats.[10]

Seoul's initial reaction was constructive, as the ban on political activity of Kim and 13 other opposition leaders was lifted. But despite the encouragement Chun was given when he visited the United States in April to continue along that line, it was not long-lived. In the face of growing opposition pressure for direct elections in 1988, and in the wake of a student sit-in at the U.S. Information Agency library in Seoul in May, Chun launched a crackdown. Officials were sacked, jailed students and correspondents were brutally treated, and charges were brought under severe national security laws rather than under normal criminal statutes.

Although plans to enact a "campus stabilization law" were shelved in response to an outcry from various quarters, including the United States, tensions remained high. There were increasingly frequent and violent student demonstrations—many with a growing anti-American tone, and in the last weeks of 1985 students occupied the American Chamber of Commerce offices in Seoul and the USIA cultural center in Kwangju. As the year drew to a close, a peak level of some 500 students were in jail, and the opposition was hinting that student demonstrations might occur in the spring if Chun did not publish a clear timetable for moves toward democratization.

Chun is ever fearful of Pyongyang's efforts to stimulate social disorder in the South, and his crackdown, in part, reflects a

[10] Kim was only allowed to engage in overt political activity a month later, and even then he was proscribed from joining a political party because of pending sedition charges.

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genuine concern that at least the hard-core student activists are being manipulated by propaganda from the North. In part, he wants to assure that the peaceful transfer of power in 1988 is to a trusted colleague, and not left to the whims of a direct election. Having succeeded in hosting the annual IMF-World Bank meetings in Seoul during the fall, he also wants to maintain tranquility as Korea looks to hosting the Asian games and possibly GATT meetings in 1986 and the summer Olympics in 1988.

Contributing to the overall mood was growing economic friction with the United States at a time of slowdown in the Korean economy. While South Korea is still booming by world standards, many jobs were lost, and a great many more were threatened by proposed protectionist legislation in the United States and by American pressure to expedite implementation of Korea's import liberalization plans.

A factor that affects virtually every aspect of R.O.K. policy is its relationship with North Korea. In the wake of Pyongyang's assassination of 17 high-level South Korean officials in Burma in 1983, and its continuing forward deployment of forces in offensive positions near the demilitarized zone dividing North and South, Seoul's suspicions remain high. But the development of a multifaceted North-South dialogue over the past year gave some hope of ameliorating tensions.

A tangible result of the various conversations was a weekend reunion for 65 families in September. Talks on further reunions and on establishment of economic links continue, but they are encountering difficulty over the North's effort to stress the broad principle of "one Korea" as against the South's emphasis on practical, step-by-step measures. Similarly, Pyongyang's insistence on co-hosting the Olympics has stymied sports talks, and different conceptions of the goals of parliamentary talks have held them only to the stage of preliminary meetings. Far more important, however, was the reported effort to set up a summit meeting between Chun and North Korean leader Kim Il Sung. Although denied by both sides, press reports suggested senior officials held at least two preparatory meetings during 1985.

The United States issued visas to three North Koreans attending an academic conference in October, but Washington has continued to avoid official contacts with Pyongyang, maintaining its position of refusing to negotiate with the North unless Seoul is a full and equal partner. Nonetheless, while the

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United States has firmly supported the R.O.K.'s step-by-step approach to eventual reunification, that is a distant prospect at best. In the meantime, it is not entirely clear that Washington and Seoul have a shared view of where the current North-South dialogue should lead, or even necessarily how it should proceed. Given the vital U.S. interests in Korea, including a treaty commitment to R.O.K. security, a misunderstanding over this question could have serious consequences.

VI

American interests in Asia have never been greater. But recent developments in the region strongly suggest that while U.S. influence can still bring us many short-term benefits, abandonment of a leadership role—a failure to conceive of these interests broadly and in a long-term context—might well contribute to the transformation of a dynamic, stable and hospitable region into a troubled and hostile place. The issue involves both style and substance.

Most sweeping in its reach and most immediate in its urgency is the question of U.S. trade policy. If the only response for noncompetitive industries is protectionism, the U.S. must be prepared to pay the costs—costs that will go well beyond the billions of dollars in higher prices and lost export markets to include damage to long-term political and strategic interests as well.

The countries of the region, particularly Japan, need to face up to their economic achievements and the responsibilities they carry with them. But the United States must keep in mind the impact that its narrowly confined domestic problems have on broad segments of some Asian economies, and of the social and political significance they assume. As Washington seeks greater market access and pursues remedies for unfair practices of its trading partners, the United States will benefit far more from approaching those problems in a spirit of mutual respect than from transforming legitimate negotiating pressure into bullying or "bashing."

Congress is generally more vocal on trade issues than the executive branch—in any administration—and is often used by the executive as a foil to threaten reluctant dragons. But Congress is not a finely tuned instrument, miscalculations are not impossible, and the risks of overzealousness were all too evident in the mutual resentments generated over the past year.

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U.S. relations with East Asia are not about to collapse over hurt feelings. But just as New Zealand may not have anticipated the genuine and deep anger its policy on naval ship visits aroused in Washington, Americans ought to give greater heed to the outcries of Asian friends in seeking to relieve political pressures and remedy fiscal indiscipline through actions against them. In the case of textiles, the Administration was steadfast in its opposition to blatant and illegal protectionism. Even Congress pulled back enough to eliminate the possibility of a veto override—at least for now. But with the Multi-Fiber Arrangement coming up for renewal in 1986, and with the vast array of other protectionist legislation pending, the concern remains an active one.

Moreover, contentiousness will not solve the fundamental problems of competitiveness that increasingly plague U.S. trade relations with Japan and other Asian countries. There, most observers agree, beyond macroeconomic measures, the answer will be found largely in adoption of other appropriate policies to strengthen American industries and to make structural adjustments where they can no longer compete.

American relations with China are far broader, and far more complicated, than in the heady days of mutual opposition to the "polar bear," when some held the mistaken notion that Beijing had suddenly been transformed from enemy to ally. Today the basic issue for U.S. policy is how to balance general support for China's economic modernization and defensive military strength with wariness over the course of Sino-Soviet relations, its policy toward Taiwan, and its ultimate economic and military role in Asia.

The fact is that China's current approach to all of these questions is consistent with long-term U.S. interests, and talk of "punishing" Beijing, for example, for reducing tensions with Moscow, is misguided. To the contrary, an economically weak, politically troubled and militarily insecure China would be far more inclined to adopt contentious policies. Thus, though the United States should not exaggerate its role, it is to U.S. benefit to help Beijing modernize.

At some future time the United States may differ with China or others over solutions to the tragic situations in Cambodia and Afghanistan. If Hanoi or Moscow shows any serious intent of pulling its forces out and accepting a reasonable settlement, the United States should be prepared to act accordingly, even if others do not share its assessment. But despite recent

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hints, it is difficult to see quick political solutions to either problem, and in the absence of any such movement, the United States should continue to support the indigenous resistance forces, albeit in ways that do not raise the issues to the level of direct East-West confrontation.

In South Korea, too, the United States must exercise patience and not press for quick fixes. Long-term U.S. interests call for continuing support for political and economic liberalization, but not at a destabilizing pace. The impulse may be to favor full democracy now. But the realities of Korea suggest that resumption of the pre-May 1985 course should be the immediate goal, not withdrawal of support for Chun Doo Hwan, as student activists demand, or immediate revision of the constitution, as the opposition wants. Chun should be held to his promise of a peaceful transfer of power in 1988; in the meantime he should be encouraged to meet his nation's security concerns without resorting to the repressive measures his hardline advisers have successfully urged on him since last spring. But it would be feckless and even irresponsible for the United States to press a course that will inevitably lead to political retrogression and a stifling of economic dynamism.

In addition, while the United States should strongly support Seoul's moves to ameliorate tensions with the North—and may need to actively encourage progress on occasion—the greatest contribution to that dialogue at this point is unwavering reassurance to Seoul that the United States will neither weaken its military support nor act behind its back. National policies cannot be made hostage to another country, but the future of U.S. force deployments in Korea should primarily be a function of the contribution they make to reduction of tensions on the peninsula. Some day that may mean they should leave; right now it means they should stay.

New Zealand argues that it is not an issue of their alliance responsibility that currently divides Wellington and Washington, but a question of U.S. alliance management. And one is indeed compelled to urge that the United States work constructively to try to shape Wellington's proposed legislation to permit resumed alliance cooperation if at all possible. But the simple fact is that New Zealand precipitated this crisis. While they have every right to adopt whatever policies they wish within their own territory, and while the sincerity of their antinuclear feelings is not to be questioned, it is hard to see how New Zealand's political leaders really think they have

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contributed to the well-being of their country or to world peace.

The most challenging foreign policy dilemma for the United States in Asia is the Philippines. The possible permutations and combinations of the February 7 election results and their consequences are too many to outline here, much less place in a U.S. policy context. Whoever wins, political tensions will remain high, the need for economic and military reform as urgent as ever. It will be in U.S. interests to promote solutions, though American decisions will be particularly wrenching if there is obvious fraud or coercion.

The problems are not hard to identify; it is the solutions that challenge imagination and ingenuity. The choices for the United States eventually come down to three, none of them happy: much deeper involvement, with far greater resource commitments than currently seem realistic and with far greater responsibility for outcomes than seems wise; muddling through with jawboning and judicious use of much exaggerated American leverage, with all the attendant risks of failure; and disengaging. This last choice would leave the Philippine people adrift in a world far more unfriendly and complicated than many of their political and intellectual leaders will admit. And it would create a major strategic problem for the United States and for the countries of Asia. It is clearly not the preferred solution, but as American policymakers draw up contingency plans, it is not an option that can be totally dismissed.

As the nations of Asia adjust to new economic realities, as they move toward new leadership, and as they play a more active and independent role in regional and world affairs, strains with Washington will increase. It is incumbent upon all to recognize that each has a responsibility to channel its energies along constructive lines. Interdependence is no longer a cliché; it is a critical fact of life.

All will have to bear some degree of political pain at one time or another and to make adjustments—sometimes quite difficult ones. And all will have to temper nationalistic pride. Just as no nation should be expected to ignore its own legitimate interests, none can afford to ignore those of others. At this difficult turning point, leadership will be an important determinant of success or failure. This is true for the nations of Asia. It is no less true for the United States.

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Abraham F. Lowenthal

THREAT AND OPPORTUNITY IN THE AMERICAS

Political leaders in Washington and in Latin America began 1985 with sharply different perspectives.

The Reagan Administration was ostentatiously pleased with the state of the western hemisphere. It was gratified by Latin America's steady turn toward democracy, which it thought would foster more cordial inter-American relations. The U.S. government was confident that Latin America's debt crisis was easing, at least for the major countries, and that the debt management strategy employed since 1982 had proved largely successful. Washington was heartened that most Latin American countries were beginning to implement economic policies that were endorsed by the International Monetary Fund (IMF), policies designed to cut public sector deficits and generate trade surpluses so the countries could service their debts.

And, as had been the case since 1981, the U.S. Administration began 1985 strongly focused on Central America. Washington was pleased that the government of President José Napoleón Duarte in El Salvador was getting stronger while the Sandinista government in Nicaragua was weakening. Fresh from its overwhelming electoral triumph, the Reagan Administration sought additional resources from Congress for pressing these perceived advantages, in order to defeat what it regarded as a communist threat in Central America.

Latin Americans, however, were apprehensive and frustrated. They feared that the modest economic recovery of 1984 could not be sustained, and that the hemisphere's depression would deepen. Satisfaction about Latin America's turn to democracy was tempered by fears that harsh economic problems could overwhelm the fragile new civilian regimes.

Forced to implement extraordinarily painful austerity pro-

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grams, many Latin Americans resented the fact that Washington talked eloquently about promoting democracy but did little concretely to alleviate their debt burdens. On the contrary, they felt that the United States was preaching discipline to them while running up unprecedented budget deficits that contributed to high real interest rates, which in turn increased their debt service. And although many wanted to cut back bloated public sectors, Latin American leaders resisted what they saw as self-serving U.S. homilies on the virtues of the market and foreign investment.

Latin Americans who looked to the United States for cooperation in dealing with the hemisphere's economic crisis were often disappointed in the early 1980s. Intermittent indications of U.S. concern, especially in 1982, dissipated rapidly. The U.S. government had provided emergency assistance to Mexico and then Brazil, but resisted efforts to expand the resources available to the World Bank and, initially, the IMF; it preferred not to be drawn into the deliberations of the private commercial banks on debt reschedulings; and it seemed more interested in discouraging intra-Latin American cooperation regarding the hemispheric financial crisis than in seeking a solution to the credit shortage.

Latin America's leaders in the early 1980s had to deal with a U.S. administration they found disconcertingly ideological. Instead of obtaining the help of the U.S. government to face the hemisphere's economic problems, these leaders perceived that—with rare exceptions—the few officials in Washington who concern themselves with Latin America at all were obsessed with Central America. The possibility that the United States would escalate the militarization of Central America particularly disturbed leaders of the Contadora nations rimming the isthmus: Mexico, Panama, Colombia and Venezuela. In South America, Washington's priorities were questioned. As 1985 began, the Americas were undoubtedly at odds.

Two major trends in 1985 brought Latin America and the United States somewhat closer together, although they also laid the basis for likely inter-American conflict in the future. First, democratic renewal took hold in South America, and the region's victorious civilian politicians turned from the quest for office to the task of governing. Second, Latin America's economic and financial problems worsened, and the strategy pursued since 1982 to deal with this crisis was challenged by many as ineffective and even harmful. Latin America's demo-

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cratic leaders sought new approaches for coping with economic distress, prodded in part by signs that the latent political appeal of radical national populist alternatives was increasing.

Washington's perceptions of these interacting tendencies led the U.S. government to begin revising its international economic policies. The "Baker plan," unveiled by Treasury Secretary James Baker in October, was seen in Latin America as a significant though still insufficient step toward agreement with the views prevailing in the region.

Meanwhile, mutually reinforcing stalemates in Central America, in the Contadora negotiating process, and in the Washington policymaking environment caused the Reagan Administration to soft-pedal its aim for a decisive victory in Central America, at least for a time. This allowed the Contadora nations, preoccupied with their own concerns, to back away from their disagreements with Washington. The United States thus settled last year into a long-term, low-intensity, indirect war against the Sandinista government in Nicaragua and the leftist insurgents in El Salvador. Washington did not so much change as clarify its goals and strategy in Central America, but it lowered its profile somewhat. Skepticism about the Sandinistas also increased in Latin America, particularly in the other countries of Central America. The overall effect was to reduce the level of controversy about Central America in hemispheric relations, while the underlying problems continued to fester.

As 1986 began, an opportunity to improve U.S.-Latin American relations appeared to exist, but it may well be a brief one. Political leaders in most Latin American nations are carrying out moderate, pragmatic policies that are compatible with the long-term interests of the United States, and they are prepared to cooperate with Washington. They may be forced, however, to alter their approaches if they cannot soon produce some relief from the excruciating economic and social problems the region faces. The United States can help Latin America's democratic leaders cope with the hemisphere's economic crisis, and in 1985 it took a potentially important move toward doing so by proposing the Baker plan. But Washington has not yet taken any decisive action to relieve Latin America's debt burden.

It remains to be seen whether the Reagan Administration will do much in 1986 to implement its new concern with Latin America's economic growth—or whether it will instead return

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to business as usual on economic issues and perhaps also revert to its preoccupation with Central America. If the current chance to forge a new hemispheric relationship is not seized, the dynamics of democracy and debt, and of war and peace in Central America, could push the United States and Latin America into sharp confrontation before the end of the decade.

II

South America's democratic wave has been gaining momentum in the 1980s. The focus of politics in the region has shifted in the last five years from the problem of democratic transition to the consolidation of newly reestablished constitutional processes and the challenge of economic policy.

The most significant political event in Latin America in 1985 was the end of 21 years of military government in Brazil. This milestone occurred despite the tragic death of Tancredo Neves, a veteran political leader chosen in January to become the first civilian president in a generation. Neves' singular qualities as a compromiser and coalition-builder produced his victory in an electoral college established but not controlled by the military regime. His mortal illness was discovered literally on the eve of his scheduled inauguration on March 15, and Neves died in April without ever serving as president. But his selection had galvanized the national consensus necessary to return Brazil's military to the barracks. The undisputed constitutional succession of Vice President José Sarney continued the return to full democracy in the continent's largest country. Municipal elections in November carried forward the process; gubernatorial elections next year are already scheduled, and direct presidential elections are likely by 1988.

The consolidation of democracy in Argentina was equally striking. The political mandate of Raúl Alfonsín, elected in 1983 in the aftermath of the military government's Falklands-Malvinas fiasco, was strengthened by congressional mid-term elections in October, despite his implementation of tough economic austerity measures. Alfonsín carried out his promise to bring to trial the top military leaders charged with responsibility for human rights violations in the 1970s and early 1980s. Five former military rulers were sentenced, two of them to life in prison. That senior military officers could be sentenced to prison terms without a serious threat to the constitutional order was remarkable.

In Peru, the peaceful transfer of office from Fernando

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Belaúnde Terry to Alan García Pérez was another feat of democratic consolidation. Despite severe economic and political deterioration during his term that could have threatened the electoral process, Belaúnde became the first elected Peruvian president in 40 years to turn over power to an elected successor. The young and charismatic García captured his country's imagination by promising to address each of the nation's main problems. After one hundred days in office, García achieved an astounding 85-percent approval rating.

The democratic trend in South America is surprisingly broad. In Uruguay, after a bitterly repressive decade of military rule, the administration of Julio María Sanguinetti was inaugurated in 1985, and the country has returned to the civilized political discourse for which it used to be known. No one can be confident that a constitutional regime will last long in Bolivia, where coups have occurred about once a year, on the average, for decades. But in 1985, power was transferred from the beleaguered Hernán Siles Zuazo to the venerable Víctor Paz Estenssoro; this was Bolivia's first transition from one elected civilian to another in 25 years.

Of all the major South American countries, only Paraguay and Chile remained apart from the turn to democracy, but opposition to both these authoritarian regimes increased palpably over the year. Indeed, what could become a major step toward democratization occurred in 1985 in Chile, where General Augusto Pinochet is now in his 13th year of personalist rule. The "National Accord for a Transition to Full Democracy," arranged in August through the Archbishop of Santiago, established agreement on political principles and procedures among a broad spectrum of 11 Chilean parties. The Pinochet regime is increasingly isolated, both within Chile and externally, although it remains firmly in control. Alfredo Stroessner, Paraguay's leader since 1954, also faces increasing opposition from the church and other sectors, the democratizing influence of both Argentina and Brazil, and the beginnings of a visible effort by Washington to distance itself from his government.

Latin America's turn toward democracy has not been universal. It has not reached Cuba, where Fidel Castro has been ruling since 1959. Nor has it touched Haiti, where Jean Claude "Baby Doc" Duvalier changed constitutional provisions in 1985 to prolong his rule in the face of rising opposition. There has been some retrogression in Ecuador, where the elected president, León Febres-Cordero, has tried to stack the supreme

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court and postpone congressional elections. The nominating convention of the Dominican Republic's governing party was disrupted by violence that forced a suspension of the balloting to choose a presidential candidate. The elections in Guyana to pick a successor to the late Forbes Burnham took place in an atmosphere of intimidation and fraud. Panama, where President Nicolás Ardito Barletta was pushed aside by the military in favor of the vice president, is not the only country where the armed forces still exercise a strong political role. In Colombia, where civilian politics have been entrenched for a full generation, President Belisario Betancur's efforts to negotiate an end to the M-19 insurgency collapsed in 1985; the country was rocked by the bloody denouement of the M-19's seizure of the supreme court building and a number of hostages. Even in Venezuela, the most stable democracy in South America, falling standards of living have created sharp antagonisms among former allies and challenged public confidence in the country's long-term political stability.

And although internal and external pressures combined to produce elections in 1985 in El Salvador, Guatemala and Honduras, questions must be asked in each case about the significance of the elections. Important segments of the population felt themselves excluded from the elections in El Salvador. Some basic issues still cannot be discussed in Guatemala. The Honduran electoral procedures were rigged to assure the outcome. In all three countries the army still holds the trump. In these nations, as in Nicaragua for somewhat different reasons, democracy is still far from complete.

Yet the historic process of Latin America's redemocratization did gain important ground in 1985. Only the most optimistic observers imagined five years ago that South America would enter the second half of the 1980s with 94 percent of its population living under civilian and constitutional regimes, or that the countries of Central America would be holding internationally monitored elections, which were surely a step toward eventual full democracy even if not a definitive one.

Throughout the early 1980s, the return to democracy has been South America's main political issue. Despite drastic economic reverses and declining living standards, there has been much less social upheaval and political radicalism than might have been expected. This has been so in large part because elite groups of different persuasions have come to understand the worth of democratic politics, because military officers have

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come to appreciate the cost of political involvement to their institution's coherence and morale, and because popular frustrations have been constructively invested in the efforts first to end authoritarian military regimes and then to choose, install and support civilian successors.

The central question for the next period will be whether this commitment to democracy, and its consolidation, can continue as the region struggles with its profound economic problems. If international constraints remain tight and the new democracies cannot soon generate hope that growth will resume, populist demagogues may well press for radical nationalist policies that could undermine political stability. Parties that have refrained from fratricidal competition during the delicate process of transition may succumb to the urge to polarize. Terrorist and insurgent movements that up to now have had relatively limited appeal—M-19 in Colombia and Shining Path in Peru are the main examples—might broaden their popular bases if economic and social conditions deteriorate still further. Narcotics traffickers may take advantage of weakened national governments to expand their effective control of enclaves within Latin America. Counterinsurgency and anti-narcotics operations, in turn, could lead to renewed repression in some countries and rekindle the dynamics of instability. The potential of these threats made Latin America's continuing economic problems in 1985 all the more disturbing.

III

Most of Latin America continued to suffer the worst depression since the 1930s. The regional upturn of 1984 could not be sustained. It had been achieved to a large extent by restricting imports so severely that Latin America could not make full use of its installed capacity. The short-lived upturn was also based on a temporary boom in exports to the United States, made possible by the high growth rate of the U.S. economy and the unusually strong dollar, both of which faltered in 1985.

Only four Latin American countries—Brazil, Mexico, Cuba and Paraguay—managed per capita economic growth in 1985. Mexico's growth was due partly to inflationary deficit spending early in the year, and it fell sharply after anti-inflationary measures had to be introduced. Brazil grew at more than seven percent, but this robust expansion, accompanied by inflation of over 230 percent, was unlikely to continue at this pace in

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1986. Excluding Brazil, the rest of Latin America suffered a 1.5 percent drop in per capita income for the year.

The statistics on Latin America's economic distress are stark. Per capita income for the entire region has fallen about nine percent since 1980, back to the levels of 1977. In some countries per capita income has declined to the levels of the 1960s; two full decades of growth have been lost. Unemployment and underemployment are higher than ever, upwards of 50 percent in some areas. Inflation is rampant, almost 150 percent for the region as a whole.

Latin America's external debt, some $368 billion in total, remains staggering. The debt-to-export ratio, a standard measure of debt service capacity, worsened for every major Latin American country in 1985. Ten nations are substantially behind in their interest payments, with Bolivia, Guyana and Nicaragua effectively in default. Loans to Peru have been classified by U.S. bank regulators as "value-impaired" because the country's arrears are so high. At least six Latin American countries, including Brazil and Mexico, are out of compliance with IMF targets for adjustment.

Close to 40 percent of Latin America's export earnings are now devoted to interest payments. For the fourth year in a row, the net total of loans and investments to Latin America was substantially less than that of net remittances for interest and foreign companies' profits. During these four years, Latin America has in effect transferred $106 billion to the industrialized countries—a burden more than twice the relative size of the German war reparations of the 1920s. About one quarter of Latin America's savings are being drained to keep up interest payments, thus sharply reducing domestic investment capital.

Latin America's economies are caught in a vicious circle. Because they are devoting so much of their savings to debt service they are undercutting their ability to invest, to grow and to generate additional earnings to improve their creditworthiness. This situation is intolerable, economically and politically.

The social and political costs of prolonged recession are growing. Translated into human terms, Latin America's economic crisis means hunger, infant deaths, homeless children, boat people and feet people, bread riots, mounting street crime, including the internal drug traffic—and increasing public impatience. The exhilarating revival of democracy assuaged popular discontent somewhat in the early 1980s, but now the new

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civilian regimes are beginning to feel widespread dissatisfaction. In Argentina, Brazil, Venezuela and elsewhere, labor union opposition is growing. The municipal elections in Brazil weakened the moderate social democratic governing party and benefited populists from both the left and the right. In Jamaica and the Dominican Republic, the elected governments are by now ruling with a minority of the public behind them.

Latin America's democratic leaders cannot tell their followers to tighten their belts further without providing them some hope that relief is in sight. A phrase scrawled on a wall in Lima put it well: "We've had enough crisis: we want promises."

Latin American responses to this grim reality shifted significantly in 1985. This was in part because of mounting tensions as reflected in strikes, protests, street crime, insurgency, polls and several election outcomes. But it was also because the premises of the established debt management strategy came increasingly under challenge.

From the start of the crisis, the creditors had pressed Latin American and other developing-country debtors to deflate their economies, cut imports, reduce social and other services, and promote exports. The debtors were urged to count on an expansion of global commerce to trade their way out of debt. Latin American debts were rescheduled to defer the amortization of capital, but interest obligations were increased.

Desperate for immediate debt service relief and unwilling to risk confrontational tactics that might cut them off from future credit, the countries of Latin America accepted this adjustment strategy. Usually they formalized their adherence by signing a "letter of intent" to the IMF, promising to meet specific austerity targets in exchange for short-term financial relief. They tried to ameliorate the terms: to limit fees and commissions, reduce spreads and stretch out maturities. But they did not fundamentally question the basic strategy of adopting austerity programs, curtailing imports and relying on global economic recovery.

By 1985, however, it was increasingly perceived that this approach served the immediate interests of the commercial banks more than those of Latin America. The banks had been kept solvent and some had even increased their earnings, but Latin America's depression continued.

The conventional approach counts on expanding demand for exports from the developing nations, fueled by the projected recovery in the industrial countries. It also relies on

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commodity prices rising as growth in the industrial countries expands; on decreasing interest rates as fiscal equilibrium is restored in the United States; on renewed voluntary lending by the commercial banks as Latin American countries restructure their economies; and on expanded foreign investment as the region's growth prospects improve.

None of these expectations was realized in 1985, however. Exports from Latin America fell six percent in 1985, as demand fell in the United States and the OECD countries, and future export prospects were clouded by rising protectionist pressures. Of Latin America's 18 leading export commodities, only copper increased in price in 1985 (after several years of drastic decline), while the prices of 15 others continued to fall; commodity prices are lower in real terms now than at any time since the 1930s. Latin America's terms of trade have suffered a cumulative decline of over 16 percent since 1980.

Although nominal interest rates have been falling, real rates remain high. Voluntary private lending to Latin America has virtually dried up as the banks reduce their exposures. New foreign direct investment in Latin America, far from picking up the slack, has also declined despite earnest efforts by some countries to encourage it; multinational firms hesitate to expand their operations in the region's still uncertain economic and political environment.

To many in Latin America, therefore, the orthodox approach to the region's economic problems looks increasingly like a *callejon sin salida*, a blind alley. In the words of Brazil's President Sarney, "Latin America can no longer accept abstract theories that condemn us to stagnation. . . . Brazil will not pay its foreign debt with recession, nor with unemployment, nor with hunger." The message from García was similar: "Peru's first debt is to its own people." Latin American nations were no longer content to apply imported recipes; they developed their own proposals.

Of all the new approaches launched in 1985, probably the most important was Raúl Alfonsín's Austral Plan, announced in June when Argentina's annual rate of inflation had reached 1,000 percent. The plan was designed by Argentine economists who sold it first to Federal Reserve Board Chairman Paul Volcker (increasingly a central figure in U.S.-Latin American relations), and then to the IMF and the international financial community. It called for a shock treatment to reverse inflation through a combination of wage and price freezes (contrary to

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IMF orthodoxy), drastic reduction of government deficits, an immediate end to the practice of printing paper money, and a series of linked measures to mobilize domestic savings and investment.

Alfonsín's "war economy" plan won immediate approval in Buenos Aires as a serious attempt to reverse what most Argentines now perceive as accelerating national decline—"national decadence" in Alfonsín's own phrase. The plan immediately affected the psychological and psychopolitical aspects of Argentina's problems—hyperinflation, low worker morale and productivity, and capital flight. The country's consumer price index, after rising over 30 percent per month for the first half of 1985, increased by only three percent in August, the lowest monthly adjustment in 11 years. Other indicators, including productivity and balance-of-payment figures, also improved. By year's end, it was clear that Argentina needed further infusions of external credit, but it seemed that with appropriate debt relief the Austral Plan just might work.

Peruvian President García took a more dramatic tack, announcing at his inauguration that Peru no longer wished to negotiate with the IMF, and that the country would henceforth limit its debt service payments to ten percent of exports (about one fourth of Peru's obligation but more than the country was actually managing to pay during the final months of the Belaúnde presidency). Peru has tightened exchange controls and import restrictions, devalued its currency, frozen the prices of basic goods, and stated its intention to reduce sharply government expenditures (including military purchases) and to reorient national policy toward rural growth. Peru under García has also toughened its stance toward foreign investors, insisting that they provide more capital for their Peruvian operations.

It is not yet clear how much of García's rhetoric can or will be implemented, nor how much latitude Peru will have if it insists on confrontational tactics. García's emphasis on internal growth and redistribution has undoubted appeal, and not only in Peru, but it remains to be seen where the foreign exchange necessary for imports will come from.

Brazil, too, altered its economic approach in 1985. Its shift was less brusque, in part because José Sarney's weak political base does not permit bold innovation and in part because Brazil's complex interests and national style call for caution. But even in Brazil, a firm decision to orient economic policy toward national growth at an annual rate of at least five percent

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caused the ouster in August of the government's finance minister and central bank president, who preferred a continued priority for external adjustment. The national plan released in November calls for a doubling of social spending (after inflation) and for tax increases to shrink the budget deficit—the opposite of Reaganomics. Aided by the drop in world oil prices and the increase in domestic energy production, Brazil managed a $12.4 billion trade surplus; together with its strong domestic growth, this performance reinforced Brazil's bargaining stance as it prepared for further debt restructuring negotiations early in 1986.

None of the paths being tested in Latin America in 1985 has yet proved successful, and their individual significance should not be exaggerated. What is important is that "debt fatigue" has descended on Latin America. The region's economic and political realities will not permit a return to the orthodox adjustment policies of the early 1980s. It is also probably significant that consultations among Latin America's debtors have increased considerably—through the Cartagena group of finance and foreign ministers, the meeting of democratic presidents in Lima at García's inauguration, and an unprecedented level of informal talks among several chief executives. Although nothing like a debtors' cartel has emerged from these exchanges, the potential of enhanced cooperation among the region's major nations was glimpsed in 1985.

IV

Over the past year the Reagan Administration finally came to think of Latin America's debt as requiring a long-term response coordinated by the U.S. government. The Baker plan, presented by the secretary of the treasury at the IMF-World Bank annual meeting in Seoul in October, represented a major change in Washington's policies. For the first time, the United States endorsed the Latin American views that sustained austerity without new investment would leave the region with an increasingly intolerable debt overhang and that growth should be the top priority.

What was most significant about the shift in Administration policy, besides its emphasis on growth, was its recognition that substantial further commercial bank lending is crucial, its acceptance of a considerably expanded activity by the World Bank and the Inter-American Development Bank in Latin

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America, and especially its commitment (albeit still vague) to an active role for the U.S. government.

Mr. Baker urged that commercial banks increase their loans to 15 heavily indebted countries (ten of them in Latin America) by a total of $20 billion in new money within three years. He called for the World Bank and the IADB to increase their disbursements by about 50 percent, for a total of $9 billion in additional financial flows during the same period. He endorsed expanded activity in developing countries by the World Bank, which was previously distasteful to the Reagan Administration because of its supposed statist proclivities. These proposals were linked to demands, reflecting Reagan Administration ideology, that debtors commit themselves to market-oriented policies, supply-side economics, privatization, trade liberalization and measures to attract foreign investment.

Latin Americans reacted to the Baker plan with limited enthusiasm. They recognized its conceptual advances and welcomed the prospect of additional financing. But they argued that the funding levels contemplated are inadequate (Mexico alone needs close to half of the new credit proposed for 15 nations) and that the conditionality requirements are too uniform and ideological. They contended that the proposals do not deal with key issues like commodity prices and protectionism and that they do not address the plight of the region's most disadvantaged debtors. Latin Americans noted, too, that the Baker plan depends for its implementation on cooperation by the commercial banks, and also on additional public resources for the World Bank and the IADB that may not be available if U.S. deficit reduction actually occurs. But the plan was universally recognized as a positive basis for further negotiation. At year's end, Latin American officials were still formulating their specific responses, as Washington was working on translating the general approach into more concrete terms.

A number of elements helped produce Washington's increased responsiveness to Latin America's plight. Insistent Latin American representations on a number of occasions, notably those made directly to Secretary Baker at García's inauguration in July, undoubtedly made a difference. So did the limited but anxiety-producing success of Castro in building bridges to the rest of Latin America by calling attention to the shared regional interest in repudiating the "unpayable" debt, as well as the obvious potential appeal of García's less extreme formulation. The cautious but unmistakable moves toward a

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growth-oriented strategy by Brazil, the region's principal debtor, also contributed, as did the impressive early success of Alfonsín's efforts in Argentina. The fear that national populist appeals might eventually push some country toward a more radical position played a role, as did the indications that Latin American governments may begin to cooperate more effectively among themselves on the debt. The U.S. Treasury understands that if major Latin American debtors were to impose a moratorium, a number of major U.S. banks would be in trouble.

But, above all, it was Mexico's situation in 1985 that forced Washington (and New York) to focus on Latin America's underlying economic problems, just as in 1982 it was Mexico's inability to keep up its debt service that had signaled the hemisphere-wide financial crisis.

Until 1985 Mexico was seen as the model debtor, validating the orthodox adjustment strategy. After two years of drastic austerity in 1982 and 1983, Mexico seemed to be on the road to full recovery in 1984 when it posted a growth rate of over 3.5 percent and brought down inflation and the public deficit. The commercial banks arranged a multiyear rescheduling agreement that extended maturities to 14 years and made a number of other concessions, thus providing implicit incentives for other debtors to follow Mexico's example.

Mexico's progress could not be sustained in 1985, however. Growth fell back to little more than the rate of population increase, and was declining by the end of the year. Inflation, the reduction of which has been the Mexican government's top priority under President Miguel de la Madrid, leveled off at about 60 percent, still very high by Mexico's historical standards. Capital flight soared to at least $2.5 billion for the year. The Mexican peso plummeted to a rate of over 500 to the dollar in November, before recovering somewhat.

Mexico's severe difficulties are due in part to four consecutive years of declining oil prices; 1985 petroleum earnings were some $2 billion below official projections. But the crisis involves much more than this costly reverse oil shock, for non-petroleum exports are also down. Equally important, Mexico's imports rose for the second consecutive year in 1985; the draconian cuts of 1983 could not be continued. Thus, by October 1985 Mexico could not meet even its rescheduled debt service obligations, which amounted to over half of its export earnings in 1985—interest payments alone took almost 37 percent of

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export earnings. There was no relief in sight; on the contrary, the devastating September earthquakes further depressed tourism revenues and created major capital needs for reconstruction.

Mexico has faced serious problems before, most recently in the mid-1970s and in 1982, but on each previous occasion it has regained its forward momentum. Its momentum was sharply reversed in 1985, however, with little chance that Mexico can resume its dynamism without major external relief.

Mexico's economic decline has exacerbated political deterioration. Disaffection with the remoteness of the ruling technocracy and the corruption of Mexican public life has grown, as has opposition to the ruling Institutional Revolutionary Party; the government has responded by becoming both more repressive and more blatantly manipulative. The government's decision to increase spending to influence the mid-1985 congressional elections in turn further aggravated the country's economic problems.

The economy's downturn has also thrown into question the approach Mexico has been taking toward solving its economic problems. Mexico has been restructuring its economy and attempting to impose enough austerity to reduce inflation and the public-sector deficit without disrupting the political consensus on which the country's stability is based. But in 1985, De la Madrid increasingly came under attack from domestic groups on both right and left who objected to his policies. Critics from the business community (supported by some in the United States) faulted the regime for leaving too much of the bloated public sector intact, for allowing the government deficit to climb again because of politically motivated spending, and for sending out mixed signals that discourage foreign investors from entering Mexico. From the other side, national populists, still a powerful segment of Mexico's ruling coalition, assailed De la Madrid for obeisance to foreign investors, international banks and the IMF, and for what they saw as an obsessive concern with cutting inflation even at the expense of investment and social needs. Mexico's labor movement became increasingly restive, moreover; it is unlikely to acquiesce in harsher austerity measures in the future and will probably oppose any choice for De la Madrid's successor who is as internationally oriented as he has proved to be.

By the end of 1985 De la Madrid was caught in an excruciating bind, with little room to maneuver. He looked to the

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United States for help that would go beyond the Baker proposals. In a summit meeting during the first week of 1986 President Reagan promised U.S. support to Mexico, but it is unclear what form that support will take and whether it will be sufficient.

V

Compared with any of the previous four years, 1985 was a relatively quiet period in U.S. relations with Central America. It was less a year of movement than of stalemate, when the possibility of direct U.S. military involvement in the region seemed to diminish. It was hard to tell at year's end, however, whether the U.S. preoccupation with Central America had actually receded, or whether the lull of 1985 presages a greater storm.

During 1984, an election year, the Reagan Administration's policy toward Central America was either dual or duplicitous, or both. Washington belligerently opposed the Sandinistas but made a point of continuing to negotiate with them. It spoke approvingly of the Contadora negotiating process but quietly hampered its progress. The United States also kept up a verbal barrage against Castro's Cuba, but at the end of 1984 it announced a major agreement with Havana: 1,700 "excludable" Cuban immigrants who had entered the United States in the 1980 Mariel exodus would return to Cuba and, in exchange, regular immigration of Cubans to the United States would resume. There were even some observers a year ago who predicted that the reelected Reagan Administration might negotiate an end to the escalating Central American conflicts, either directly with Cuba and Nicaragua or indirectly through the Contadora mediators.

No move toward peace in Central America occurred in 1985, however. On the contrary, Washington broke off bilateral discussions with Managua in January. At a press conference in February, President Reagan intimated that U.S. policy aims to make the Sandinistas "cry uncle." The Administration put forward a "peace proposal" in April that was virtually indistinguishable from the position of the "contras," the U.S.-supported insurgents fighting against Nicaragua from bases in Honduras and Costa Rica. In May the Administration imposed a trade embargo on Nicaragua by invoking the provisions of the International Emergency Economic Powers Act, legislation meant to be applied "in case of unusual and extraordinary

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threat to the national security, foreign policy, or economy of the United States." As for Cuba, Washington failed to respond to numerous indications from Havana that Castro was eager to negotiate. Instead it began the broadcasts of Radio Martí, a major new propaganda effort, and tightened its economic embargo against Cuba by barring from the U.S. market third-country products that use any Cuban material. Castro responded by suspending the new immigration agreement as well as previous arrangements to permit separated relatives to travel back and forth between Cuba and the United States. U.S.-Cuba relations reverted in 1985 to a mutually hostile impasse.

During the first half of 1985 the Reagan Administration was waging its Central American war as much with Congress as with the Sandinistas. From January until April, the Administration undertook a full-court press to secure congressional approval of assistance for the contras, which had been ended—legally, at least—in mid-1984. After intense debate and considerable maneuvering, the House rejected the Administration's request on April 4. But the Administration then succeeded in defeating a Democratic-sponsored alternate plan to provide limited and strictly defined humanitarian assistance to Nicaraguan refugees in Honduras and to push the executive branch toward a negotiated solution under the auspices of Contadora. The vulnerability of members of Congress to the charge that they had thus prevented adoption of any effective policy toward Nicaragua was heightened almost immediately when Nicaragua's President Daniel Ortega flew to Moscow to request more Soviet aid.

The result was a classic Washington compromise: Congress approved $27 million in "non-lethal" (but not carefully defined) "humanitarian assistance" directly to the contras, while the President assured the House that he aimed for a "political, not military," solution. The Administration had succeeded in aligning Congress and much of U.S. opinion against the Sandinistas, but it also was forced—at least for a time—to accept congressional limits on what the United States would do to Nicaragua.

Stalemate also prevailed on the ground in Nicaragua, where the Sandinistas seemed able to contain the contras but not to defeat them. Having obtained as much support for the contras as Congress would permit, the Administration settled in for a prolonged, low-intensity, indirect war of attrition that would bleed the Sandinistas and keep them on the defensive, at low

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tangible cost to the United States. The Sandinistas, for their part, also seemed in 1985 to be preparing for a long haul. They further restricted domestic opposition, intensified their close ties with Cuba and the Soviet Union, and improved the quality of imported weaponry, including helicopter gunships.

By the end of 1985, few were left—in Washington or in the region itself—who doubted that Nicaragua is governed by a revolutionary movement, many of whose leaders are Marxist-Leninist, or that the regime is increasingly aligned with adversaries of the United States. What remained unresolved was how the United States and the other countries of the hemisphere should respond. The Administration seemed to believe that the only options were to provide U.S. support to the anti-Sandinista military efforts indirectly or to do so directly. But critics of Washington's policy argued that the Sandinistas could be contained by diplomatic measures, as well as by economic and political support to Nicaragua's neighbors. Those who called for a diplomatic approach continued to support the Contadora negotiating process, which Washington still professed to back.

But neither the United States nor Nicaragua was prepared in 1985 to make the concessions the Contadora mediators were calling for, and this unprecedented Latin American effort to resolve the Central American crisis through negotiation therefore seemed at an impasse as well. The Contadora negotiators, working with the Central American countries, did produce in September a sophisticated set of detailed treaties that could prove valuable if and when Washington is prepared to accept a Sandinista regime in Managua and the Sandinistas are prepared to accept strict limits on their international behavior, but which are largely irrelevant until then. With their efforts frustrated and with their own internal difficulties mounting, the Contadora Four showed signs of "negotiation fatigue." When Nicaragua asked in December for a five-month suspension of negotiations—ostensibly because the elections in Costa Rica, Guatemala and Honduras would put into place new governments with altered positions on the issues—the Contadora nations were glad to back off.

The civil war in El Salvador, likewise, came no closer to resolution in 1985. On the contrary, it became more brutal as both sides escalated the level of violence and violated the rules of war. President Duarte was unable to convert his party's

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electoral victory in March and strong U.S. and international backing into substantially increased leverage with either the insurgent left or his own armed forces. The guerrillas of the Revolutionary Democratic Front-Farabundo Martí National Liberation Front continue to control significant areas of the country and have escalated their war of attrition. On several occasions, most notably in kidnapping Duarte's daughter and then exchanging her and a number of mayors for FDR-FMLN cadres detained by the government, the insurgents demonstrated considerable military and political skills. The armed forces of El Salvador are better trained and equipped, but toward the end of the year questions were being raised anew about whether Duarte effectively controls the army. The hope that peace talks might succeed in El Salvador, kindled when Duarte met guerrilla representatives at La Palma, faded away during 1985, and the civil war continued to take its heavy toll.

For much of 1985 the conflicts in Central America, however intractable, diminished in salience in U.S.-Latin American relations. The Reagan Administration seemed resigned to a prolonged struggle in Central America and ready to focus more attention on the economic problems facing Mexico and South America. Latin American nations, in turn, shied away from confrontation with Washington over policies that were undeniably interventionist but also sharply circumscribed. Almost all Latin American nations voted in international forums to condemn Washington's economic embargo against Nicaragua, but none was willing to make U.S. policy in Central America a focal point of dispute in their bilateral relations with Washington.

This decreased tension might well prove temporary, however. At the end of 1985, the Administration seemed again to be escalating its campaign against the Sandinistas. Secretary of State George Shultz, once considered relatively less confrontational on Central America than other senior Administration officials, spoke grimly in December of Nicaragua as a "cancer," and claimed it was a "virtual Soviet base." He applauded the contras' first use of SAM-7 missiles against the Sandinistas, and he and other officials renewed a bid for substantial military aid to the contras in 1986. The risk that escalation and counter-escalation could eventually produce U.S. military intervention in Central America began to rise again.

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VI

Twenty-five years ago this spring, President John F. Kennedy launched the Alliance for Progress. Latin America in the 1950s had suffered severe economic problems, mounting social pressures and the growth of revolutionary movements. Castro's triumph in Cuba served to warn of the appeal these groups could have. The Alliance was designed as a preemptive antidote. The United States would provide financial resources and technical advice, and promote democracy. It would also furnish military training and counterinsurgency assistance to ward off the nascent security threat.

Although it was unilaterally proclaimed, the Alliance for Progress drew very substantially on proposals that Latin American leaders had been advancing for years. Despite shortfalls in its implementation, many Latin Americans still look back to the Alliance as a significant and positive U.S. policy.

The mid-1980s, like the late 1950s, are a time of ferment in Latin America. Demographic growth, massive urbanization and rapid industrialization have transformed the region. Once entrenched authoritarian regimes have weakened and been replaced. After three decades of growth, prevailing economic models have been found wanting. The region's past gains and future prospects are threatened by debt and its consequences. The stability and security of the whole hemisphere are challenged.

Although Washington was painfully slow to respond to Latin America's current crisis, the economic problems of Mexico and South America finally took precedence in Washington's calculations late in 1985. Even if fully adopted and implemented, however, the Baker proposals would not be adequate, either in concept or in magnitude, to resolve the hemisphere's difficulties. But the possibility that the Baker initiative is only the first step in an as yet inchoate U.S. government response does encourage those Latin Americans who believe that the United States is still an ally.

Many of today's democratic leaders in Latin America—Alfonsín, Betancur, Guatemala's Vinicio Cerezo, De la Madrid, Duarte, García, Salvador Jorge Blanco of the Dominican Republic, Venezuela's Jaime Lusinchi, Paz Estenssoro, Sanguinetti, Sarney and others—are, indeed, natural or at least potential allies of the United States. They are exactly the kind of interlocutors that were so hard to find at the time of the

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Alliance: humane, moderate, pragmatic, reformist and disposed to cooperate with the United States. They are the region's centrists, trying to build political support against the appeals of ideologues and populists of the left and right.

They are modern politicians, by and large. Most are more knowledgeable and realistic about economic issues than either the traditional politicos or the new technocrats, civilian or military. They recognize that public enterprises need to be trimmed and that market mechanisms channel resources more efficiently than political decisions, although they also see an important role for the state.

These democratic leaders believe that the most overwhelming threats in the hemisphere are debt, poverty and unemployment—not guerrillas, Soviet influence, terrorists or drugs. They are urging the United States to follow up the Baker plan with proposals that address the hemisphere's economic problems. They do not want unilaterally imposed or proclaimed U.S. initiatives. They ask Washington to work with them, in genuine partnership, to help resume and expand growth in the Americas. They know that structural reforms, continued austerity and financial responsibility will be expected of them, and they are ready to do their part. They are also more able and willing than their authoritarian predecessors to reduce unnecessary military expenditures, fight corruption and attack the narcotics traffickers. And they want to preempt radical approaches, both from the revolutionary left and from the national populist right.

What they seek from Washington—apart from attention, sympathy and respect—is international economic cooperation. They want the United States to help provide the breathing space they require to maintain public backing while tackling tough social and economic issues. More specifically, the countries of Latin America are urging the U.S. government to take the lead in mobilizing additional credit for the region's development from the United States, Europe and Japan. They want Washington to work with the commercial banks and the international financial institutions to reduce or cap interest payments so that the burden of adjustment is more equitably shared by lenders and borrowers. They are appealing to the United States to put its own fiscal house in order through a responsible plan for deficit reduction, and to continue fighting to beat back protectionist pressures that would hurt developing-

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country exporters. They are calling, in short, for a U.S. commitment to refurbish the international economic order.

The United States should respond positively to these Latin American appeals with a policy as comprehensive as the Alliance for Progress. The United States is no longer able, as it was in the 1960s, to provide billions of dollars in foreign aid, but it can help reduce the outflow of funds from Latin America to the industrial countries. The United States is no longer a hegemonic power in the western hemisphere, but it is still by far the most important external actor in Latin America. Washington must take the initiative if the region's crisis of the mid-1980s is to be turned to opportunity.

This is not the place to discuss in detail a new U.S. policy adequate for the late 1980s. In brief, such a policy should include provisions to stretch out Latin America's debt for a generation, capitalize interest above an agreed rate, and allow a share of interest repayments to be reinvested in the region. It should also provide orderly write-downs of debt for those small countries that are hopelessly over-indebted, further increase the resources available for lending by the international financial institutions, and expand trade credits to facilitate Latin American imports in the context of resumed growth. Furthermore, the United States needs to adopt trade policies that will reverse protectionist pressures; an integral part of trade policy must be effective trade adjustment programs to assist displaced workers.

The United States should adopt such measures not out of charity but rather out of self-interest. A more prolonged Latin American recession could lead to delays, debt moratoria or even defaults, with serious consequences for several major U.S. banks and perhaps for the entire commercial banking system. U.S. investors and exporters would also be further hurt if Latin America's depression continues. It is estimated that 800,000 jobs in the United States have already been lost because of diminished Latin American imports from this country. Latin America's recovery would clearly help the United States, for this country has a strong comparative advantage in Latin America's markets.

Helping Latin America resume a reasonable rate of economic growth is also important to the United States in other ways. If the region's new democracies crumble, the United States will again be faced with a hemisphere in which our core values, including respect for fundamental human rights, are at risk.

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Sustained depression in Mexico, Central America and the Caribbean would intensify the already considerable pressures for migration from these regions to the United States, and an expanded flow could arouse restrictionist and even racist sentiments in this country. Unrelieved economic problems in the region would make it much harder to combat the corrosive narcotics trade.

Perhaps most important, prolonged stagnation in Latin America could push some countries in a national populist direction. As foreign banks and investors prosper while Latin America's pain worsens, the populist demagogues will blame their countries' plight on the banks, the IMF and, behind them, the United States. They may push for economic and political nationalism, for closed markets, for expropriation of U.S. assets and for generally anti-U.S. positions on a variety of issues, including narcotics control and nuclear proliferation. Our neighbors in the hemisphere could all too easily become antagonists.

The United States now has a significant opportunity to shore up relations with the democratic countries of Latin America. Doing so, however, will require keeping the focus on economic issues and providing substantial responses that go beyond rhetoric. A return by Washington to its neglect of economic issues, coupled with a reversion to single-minded concern with Central America, would surely drive inter-American relations toward conflict.

If the current opportunity to build inter-American economic cooperation is not seized, Latin America's crisis will probably worsen. If unrest and terrorism increase, some Latin American countries could turn back to authoritarianism, this time perhaps with a national populist orientation. U.S. investors, exporters and banks might then clash with Latin American governments pursuing autarkic policies. If the United States also gets more embroiled in Central America, and especially if U.S. troops are used there, the cumulative impact on inter-American relations would be profound. An era of bitter conflict in the Americas would then be hard to avoid.

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Helen Kitchen

AFRICA: YEAR OF IRONIES

President Reagan's sweep of 49 of the 50 states in the November 1984 elections set in motion mutations within both the Republican and Democratic Parties that have substantially affected U.S. relations with Africa.

The mushrooming of groups and individuals in the coalition known as the Free South Africa Movement is ascribed by its founder, TransAfrica's Randall Robinson, to a post-election assessment that a very daring gamble was the only hope of keeping anti-apartheid activism alive in the face of another four years of "constructive engagement." On another front, the congressional leaders of the shattered Democratic Party seized upon apartheid as the most promising issue for drawing Jesse Jackson's constituency and other blacks sidelined during the campaign back into the party's mainstream. The 35 Republican congressmen who dispatched a sharply worded letter of protest against Pretoria's racial policies to South African Ambassador B. G. Fourie in December 1984 were at least partially motivated by a new belief that it was historically and practically shortsighted for the Republicans to concede the black vote and the civil rights constituency as a given to the Democratic Party.

The introduction into Congress between January and September 1985 of 41 separate bills, amendments and resolutions dealing with South Africa is indicative of the extent to which legislators with their fingers on the public pulse recognize the importance of having gone on record on the apartheid issue before they face their electorates in 1986 or 1988. An executive order of September 9 imposing limited sanctions on South Africa achieved its intended effect of sidetracking the congressional steamroller (at least temporarily), with the additional irony that the invoking of sanctions by President Reagan personally was a greater psychological blow to the government of President P. W. Botha than stronger congressional actions would have been.

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In another of the ironies that puzzle foreign observers of America's Africa policy, a major battle of the Potomac throughout 1985 was the offensive launched by the conservative wing of the Republican Party against what it views as the Administration's "soft line" on communism in southern Africa. The attacks, directed primarily against Secretary of State George Shultz and his assistant secretary for African affairs, Chester Crocker, began in December 1984 and reached a crescendo during the September visit of President Samora Machel of Mozambique as the invited guest of President Reagan. By November the focus was on Angola, where the objective was to activate either overt (congressionally mandated) or covert aid to Jonas Savimbi's antigovernment movement, the National Union for the Total Independence of Angola (UNITA), on the grounds that the United States supports "anti-communist freedom fighters" in Nicaragua and Afghanistan, and should do the same in Angola.

The various conservative groups and individuals that sometimes publish their messages to President Reagan as full-page newspaper advertisements under the rubric "National Coalition of Americans Committed to Rescuing Africa from the Grip of Soviet Tyranny" are convinced of the continuing validity of the passage, which some of their number submitted, in the Republican Party platform draft of August 1984: "Africa faces a new colonialism. The tripartite axis of the Soviet Union, Cuba, and Libya has unleashed war and privation upon the continent."

II

Does this apocalyptic view reflect the contemporary African realities? The facts about Soviet interests, priorities, operational objectives, influence and constraints in Africa in the mid-1980s are more complicated than perceived by conservative critics of constructive engagement's regional dimension.[1]

In the category of interests, a constant since the 1960s has been Moscow's resolution to establish a presence and influence in Africa appropriate to global-power status, and to ensure that the continent does not revert to a purely Western sphere of

[1] For background, see Winrich Kühne, "What Does the Case of Mozambique Tell Us About Soviet Ambivalence Toward Africa?" *CSIS Africa Notes*, No. 46, Aug. 30, 1985; and David E. Albright, *The USSR and Sub-Saharan Africa in the 1980s*, New York: The Washington Papers, Praeger, 1983.

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influence. On this point, Soviet spokesmen are quite explicit. Their basic argument is that both the United States and the U.S.S.R. (as well as France, Britain, the two Germanys and any other external actors now involved or likely to be involved in the affairs of the continent) have a "legitimate" interest in relations with any of Africa's sovereign states. On the other hand, they also press the point that neither the U.S.S.R. nor the United States has a "vital" interest in a continent so far from the borders of either.

In terms of global priorities, the evidence is clear that Africa continues to reside somewhere below Europe, East Asia, the rimlands south of the U.S.S.R., and the Middle East. Within Africa, the Horn and North Africa, because of their proximity to the Middle East and Asia, are accorded—as is the case with the U.S. valuation—higher geostrategic value than southern Africa.

When one moves beyond these relatively fixed points of reference into operational objectives, the pattern is less predictable, in part because of a fairly high incidence of trial and error. During the Khrushchev era, Soviet theorists were inclined to believe that "African socialism" could and would evolve into "scientific socialism." Over time, however, African socialism went into decline, and Moscow suffered a number of other disappointments in Africa.

The most traumatic of the reverses occurred in Zimbabwe, where Joshua Nkomo, the nationalist leader supported militarily by the Soviets during Rhodesia's long guerrilla war, was soundly defeated in the 1980 pre-independence elections by the rival party led by Robert Mugabe. This disappointment was preceded by the dissolution, at the host country's initiative, of a number of other significant Soviet patron relationships—with Ghana in 1966, with Jafar al-Numeiri's Sudan in 1971, with Anwar al-Sadat's Egypt in 1972, with Somalia in 1977, with Equatorial Guinea in 1979, and with Guinea over a period of years beginning in the late 1970s. Although Mozambique's signature of the Nkomati Accord with South Africa in 1984, followed by its decision to join the World Bank and the International Monetary Fund (IMF), left intact the Treaty of Friendship and Cooperation signed with Moscow in 1977, the orientation of President Samora Machel's regime was clearly more westward in 1985 than at any time since independence.

Even the declaration that the new Workers' Party of Ethiopia is to become "the sole instrument to effect the realization of

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communism" in that country is viewed by some leading experts as a transitory phenomenon. As an old Ethiopia hand observed in March 1985, there is more continuity than change in the Mengistu Haile Mariam era:

> The rhetoric of Marxist ideology is generally directed to international issues. Just as Haile Selassie, to facilitate entrance into the League of Nations, issued decrees in French and English abolishing slavery, but not in Amharic (to avoid disturbing traditional thought on the subject), Mengistu has been known to issue several versions of a speech—one containing anti-American diatribes in Russian, a more benevolent version in English, and a version delivered in Amharic for home consumption that ignores the whole irrelevant subject. . . . Although the new party . . . was given the trappings of a communist party, it is run by the army.[2]

Unlike the early 1960s, when Soviet operatives talked ebulliently of Africa's potential for socialist transformation, in 1985 no African state received a higher ideological rating from Soviet analysts and spokesmen than "socialist-oriented." Another trend is the greater attention being given by Moscow to cultivating relations with all manner of African states, including those which are outright capitalist in orientation. Indeed, Soviet officials make a considerable point of the fact that the U.S.S.R.'s three largest economic project involvements in Africa have been in capitalist Nigeria (the steel industry), Morocco (phosphate), and Egypt (the Aswan Dam). And although their anti-Pretoria rhetoric is unremittingly strident, Soviet analysts and policymakers speak of the changes that must come in South Africa's unjust society as a "long-term" and "internal" process. The Nkomati Accord and other setbacks to the exiled African National Congress are rationalized on the grounds that these setbacks could over time "harden and solidify" the strategy and discipline of the ANC as an internal political force.

The conservatives' case for U.S. intervention in Angola is grounded in a set of basic assumptions, including (or culminating in) the conclusion that failure of the United States to intervene to aid Savimbi's UNITA could mean "handing over all of southern Africa to the Soviet empire." Analysts more familiar with patterns of Soviet behavior in Africa cite several reasons why U.S. intervention would more likely increase rather than deter Soviet activity in the region.[3]

[2] Gerald A. Funk, "Can Ethiopia Survive Both Communism and the Drought?" *CSIS Africa Notes*, No. 40, March 15, 1985.

[3] See, for example, John A. Marcum, "United States Options in Angola," *CSIS Africa Notes*, No. 52, Dec. 20, 1985.

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In view of the major political embarrassment suffered by the Soviets in the region in 1984 (Mozambique's signature of the Nkomati Accord with South Africa), can it be expected that a rejuvenated Soviet leadership under Gorbachev would be inclined to tolerate an "under the gun" reversal in Angola? Presumably as determined as his predecessors to assert the Soviet Union's status as a fully global power, will not Mikhail Gorbachev—at the very least—need to phase, delimit and rationalize any losses? In the case of Angola, such face-saving would logically include stressing South African concessions (preferably on Namibia) while putting a positive twist on Cuban withdrawals.

In response to the argument that there are limits to how many resources the Soviet Union and Cuba are willing to pour into a country located in at least the fourth tier of Moscow's geostrategic priorities, it must be noted that Angola has "cost" Moscow and Havana very little. Angola uses upward of 50 percent of its oil revenues of over $2 billion annually to purchase Soviet arms and to maintain 25,000–35,000 Cuban troops and technicians. Since the military sector is always the Soviet Union's strong suit in the Third World, a decision by the United States to play to it in Angola must be taken with eyes fully open to the fact that the price will be heavy and the risks high. The military realities of Angola will not be altered by a few tens of millions of dollars of military, let alone "humanitarian," aid.

Recent developments in the Soviet relationship with Libya's Muammar al-Qaddafi are also instructive. As *The Sunday Times* of London phrased it, Qaddafi and Gorbachev "had a humdinger of a row" when the Libyan leader visited Moscow in October.[4] The argument is said to have included a disagreement over Qaddafi's virulent anti-Israeli line at a time when the Soviets were considering renewal of diplomatic relations with Israel as part of a general broadening of their options in the Middle East. The Libyan leader's shopping list reportedly included requests for Soviet help in building a nuclear reactor at Tajura that could be converted for military purposes, more military spare parts and arms, an agreement that the Soviet Union would double its purchases of Libyan oil to 250,000 barrels a day, and the signing of a friendship treaty between

[4] Edmund Stevens and David Hatton, "Bust-Up as Gorbachev Goes Cold on Gadaffi," *The Sunday Times* (London), Oct. 20, 1985.

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the two countries, first discussed during Qaddafi's last visit to Moscow in 1983.

The Soviets apparently agreed to help with a nuclear reactor—but one that could be used only for power generation and would not be convertible to military purposes. They were said to have referred the arms requests to a "commission" for study and to have pressed for payment of monies still owed for previous purchases. A deal was struck on the purchase of additional oil, for reexport to Yugoslavia. No treaty of friendship was signed, but rather a "long-term program for the development of economic, scientific-technical and trade cooperation" patterned on similar agreements with a range of Third World countries. Qaddafi showed his irritation in several ways, including boycotting a major diplomatic reception in his honor.

Yet in December Libya confirmed that it was acquiring Soviet SA-5 antiaircraft missiles. The SA-5 has a range of about 150 miles and is capable of shooting down relatively high-altitude aircraft, as well as surveillance aircraft well within the airspace of neighboring states or over the Mediterranean. Defensive rather than offensive, the newly acquired missiles are of uncertain military significance, for all their symbolic import. Some analysts speculated that Moscow might have decided to make the missiles (and necessary Soviet support personnel) available on a rush basis to placate Qaddafi in the wake of his less than satisfactory October visit.

In a December 27 speech at a Kremlin reception, Gorbachev said that the Soviet Union was committed to "essential progress" in 1986 on regional issues. In remarks to foreign ambassadors broadcast in full on the evening news, he warned against viewing local conflicts "through the spectacles of East-West political or ideological confrontation." Observing that it "is shortsighted and dangerous to build policy on erroneous concepts," he underscored the point that conflicts are more apt to "grow out of the local social, economic, and political soil." Gorbachev's specific mention of southern Africa (along with Afghanistan, the Middle East, the Gulf region and Central America) may help to explain the new round of meetings between Dr. Crocker and senior Angolan officials that began in Lusaka in late November.

III

New heads of state took office in five of Africa's 51 independent states in 1985—three by nonideological military coups

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and two in national elections associated with the voluntary retirement of the incumbent. The three coups (which brought the total number in Africa since 1957 to 73) occurred in Sudan, Nigeria and Uganda.

More difficult to categorize was the "return to civilian rule" in Liberia on October 15. General Samuel K. Doe (who, as an obscure master sergeant, led the bloody 1980 coup that ended 133 years of oligarchical civilian rule) was proclaimed the victor in a national election marked by pre-election intimidation of opposition candidates, controversial poll-counting procedures, and post-election arrests and bloodshed. As *The New York Times* observed in an October 26 editorial, the Liberian travesty was a special embarrassment to the United States:

> Liberia, founded 138 years ago by freed American slaves, now receives more American assistance per capita than any other country in Africa. Aid levels have been quadrupled since [Doe] seized power in 1980. Last year's $83 million covered fully a third of Liberia's budget. What did the United States wish in return? The first genuinely free multi-party elections in Liberian history. The elections were held last week and both Liberian voters and the American taxpayers have been defrauded.

Sudan's President Jafar al-Numeiri was in Cairo en route home from a visit to the United States when a group of army officers led by his minister of defense, General Abd al-Rahman Siwar al-Dhahab, made a radio announcement early on the morning of April 6 that they had assumed control of the government with the object of conveying power to the people after a limited transitional period. The news that the increasingly erratic Numeiri had been ousted brought an estimated million celebrating Sudanese surging into the streets of Khartoum and ended a general strike that had been preceded by three days of riots over food and fuel price increases.

The new military committee suspended the constitution, dismissed Numeiri associates from government, dissolved the Sudanese Socialist Union (established as the nation's sole legal party by Numeiri in 1972), and announced that its main sequential objectives were maintenance of law and order, early negotiations with all political parties, including those of the south, and restoration of multiparty democracy in Sudan by April 1986.

As 1986 approached, the Siwar al-Dhahab regime was still speaking positively about April elections and the prospects for

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achieving "constructive dialogue" with all political elements, including southern Sudanese leaders. Emissaries who talked in Addis Ababa with Colonel John Garang, the U.S.-educated leader of the Sudan People's Liberation Army, came away with the view that the exiled southern leader was prepared, under specified conditions, to participate in negotiations for a new democratic constitution. One of these conditions is that the dialogue must focus on the need for a new structure of political relations between Khartoum and all regions, not just the south. Garang was only one of the many variables, however. For example, December counts of the number of political parties or factions active in Khartoum ranged up to 40.

Challenges facing the transitional government in the area of foreign affairs were as labyrinthine as the domestic scene. With U.S. aid to Sudan in Fiscal Year 1985 exceeding that to any other sub-Saharan African state, there was good reason to keep relations with Washington on an even keel. But this priority had to be balanced against the Sudanese public's perception that the deposed Numeiri was an American client. Tensions also arose from the fact that the U.S. embassy in Khartoum remained, as of late 1985, under the command of an ambassador who was perceived to have played a key role in controversial events (notably the transport of Ethiopian Falasha Jews via Sudan to Israel) and to have worked closely with political personalities now in disrepute.

A further source of stress between Khartoum and Washington was the decision of the transitional government that regional political and geographical considerations called for mending relations with neighboring Libya and Ethiopia, both of which were in a position to undermine efforts to achieve a national consensus. In this connection, scheduled Sudanese participation in regional military exercises involving the United States, Egypt and Somalia was quietly called off.

The critical economic and other links with Egypt have survived Cairo's unwillingness to extradite Numeiri for trial, but there is (for the present at least) a downplaying of several integration plans highlighted during the latter years of Numeiri's rule.

In Nigeria, even the label "palace coup" may be an overstatement of the August 27 shift of the presidential reins from the hands of Major-General Muhammadu Buhari to Major-General

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Ibrahim Babangida, chief of army staff.[5] There was no bloodshed, no opposition, no confusion: Buhari was quietly taken into custody. His principal deputy, Major-General Tunde Idiagbon (in Saudi Arabia on pilgrimage at the time), subsequently returned voluntarily to Lagos despite the knowledge that he would be placed in detention.

Since independence in 1960, Nigeria has had nine years of civilian rule (October 1960 to January 1966, and October 1979 to December 1983), and six different military heads of state. A foiled mid-December countercoup (this one a broadly based conspiracy organized by senior army and air force officers reportedly dissatisfied with Babangida's overly "democratic" governing style, his economic policies and a 15-percent cut in some military salaries) would have been among the bloodiest of Nigerian coups. One of the two alternative plans that have come to light called for the killing of Babangida as well as the top five members of the ruling Military Council.

In Uganda, history was replayed on July 27 when President Milton Obote was removed from office by military coup for the second time. In 1971, it was Major-General Idi Amin, then army commander, who led the coup that overthrew the elected government that Obote had headed since independence in 1962. After neighboring Tanzania sent in an expeditionary force in 1979 to help oust Amin, Obote returned from exile and eventually emerged as president again in a hotly contested four-party 1980 election. The new Military Council headed by 71-year-old Lieutenant-General Tito Okello has been no more successful than Obote in restoring the rule of law to Uganda. The dimensions of the continuing crisis are manifest in an Amnesty International report estimating that "tens of thousands" of cases of torture and another 300,000 killings have occurred in the half-decade since Amin's reign of terror ended.[6] The tragedy of Uganda can best be summarized if one recalls that Churchill called this once verdant and peaceful land "the pearl of East Africa."

The main note of optimism in 1985 was that the government of neighboring Kenya, acting as "honest broker," midwifed an agreement eventually signed on December 17 between the Military Council and the National Resistance Army, a southern-

[5] See Gerald A. Funk, "Why Babangida?" *CSIS Africa Notes*, No. 51, Dec. 10, 1985; and Larry Diamond, "Nigeria Update," *Foreign Affairs*, Winter 1985/86, pp. 326–336.
[6] *Africa Research Bulletin*, Sept. 15, 1985, p. 7761C.

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based guerrilla group founded in 1981 by former Defense Minister Yoweri Museveni. The agreement calls for the demilitarization of Kampala, complete disarmament of all military factions within and outside the national army, formation of a new military establishment under the supervision of a multinational Commonwealth "monitoring/observer force," and "free and fair general elections . . . as soon as practicable to return the country to parliamentary democracy." It was agreed that Okello would remain head of state and chairman of the Military Council, while Museveni would become the council's vice chairman. Whether the agreement would hold, and what countries (besides Kenya and Tanzania) would be willing to assist in the restructuring of the military, remained uncertain at year's end.

IV

With the 1985 retirement of Presidents Julius Nyerere of Tanzania and Siaka Stevens of Sierra Leone, only three heads of state in power at the founding of the Organization of African Unity in 1963 were still in office: King Hassan of Morocco and Presidents Félix Houphouët-Boigny of Ivory Coast and Habib Bourguiba of Tunisia.

In Tanzania, 92.2 percent of the more than five million voters who went to the polls on October 27 cast "yes" ballots for Nyerere's handpicked successor, Ali Hassan Mwinyi of Zanzibar. Since Mwinyi is 60, only three years younger than Nyerere, and since Nyerere will remain chairman of the country's single political party, the passing of the torch to a new generation has only begun.

In Sierra Leone, as in Tanzania, the sole political party (the All-People's Congress) followed the retiring president's guidance in choosing his successor. Major-General Joseph Saidu Momoh, the British-trained commander of the country's armed forces since 1971, was officially credited with 2,784,591 of the 2,788,687 valid votes cast in a nationwide election held on October 1. While *West Africa* magazine reported some doubt about the authenticity of figures that represented an overwhelming turnout of registered voters for an uncontested election, it joined other observers in concluding that there was genuine excitement in the country about a change of leadership after the economic decline and political stagnation of the latter part of Stevens' 17 years in power.

Other elections in 1985 noteworthy as indicators of conti-

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nuity included the turnout of 3.2 million Ivory Coast voters on October 27 to return President Houphouët-Boigny to office for his sixth five-year term; the September 30 reelection of Manuel Pinto da Costa for a five-year term as president of São Tomé and Príncipe by the island nation's newly elected National People's Assembly; and Gabon's two-round legislative elections in February and March, which (according to government statements) reaffirmed the primacy of the country's only party, the Gabon Democratic Party, and reinforced the case against the political pluralism demanded by the banned National Reform Movement (MORENA).

In Zimbabwe the parliamentary majority of Prime Minister Robert Mugabe was strengthened in elections held on June 27 (white electorate) and July 1–4 (black electorate). Mugabe's Zimbabwe African National Union-Patriotic Front took 63 of the 80 "common roll" black seats for which nine parties competed, while Joshua Nkomo's Zimbabwe African People's Union representation was reduced from 20 to 15. Former Prime Minister Ian Smith's Conservative Alliance won an unexpected 15 of the 20 seats reserved for whites in the 1980 constitution.

In Lesotho, the first general election in 15 years, scheduled for mid-September, was cancelled after all five opposition parties refused to participate in protest against alleged procedural irregularities having to do with access to voters' rolls. Since this boycott left candidates of the ruling Basotho National Party as the only nominees for the 60 parliamentary seats, Lesotho's chief elections officer declared the BNP candidates victorious.

V

By mid-1985, the term "constructive engagement" was rarely found in the texts of Administration speeches or congressional testimony on southern Africa. Assistant Secretary Crocker's 1980 contribution to the language of diplomacy had taken on a life of its own, and was being employed pejoratively by Administration critics of widely differing opinions. Viewed through the prism of the Free South Africa Movement and other advocates of isolating South Africa, "constructive engagement" was assessed—and deemed a failure—by the single criterion that not enough anti-apartheid leverage had been brought to bear on the government of South Africa. While Soviet spokesmen continued to use "constructive engagement" interchangeably with "the U.S.-South African alliance," the

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ruling establishment in Pretoria evidenced increasing resentment of Washington's pressures.

The right wing of the Republican Party focused its media blitz on the soft-on-communism dimensions of "constructive engagement"—notably the growing warmth of the Administration's relationship with Mozambique, the ongoing dialogue with the Soviet-supported government of Angola, Crocker's continued efforts to achieve a negotiated settlement in Namibia on the basis of U.N. Resolution 435, and such South Africa-related developments as Secretary of State Shultz' counsel that Pretoria should "signal" its willingness to search for political compromise with the black majority by freeing Nelson Mandela, the long-imprisoned leader of the banned African National Congress.

The somber implication of this cacophony of discordant voices (and the less publicized infighting over southern Africa policy within and between departments of the executive branch) was that U.S. credibility and therefore effectiveness as an agent of change in South Africa and of reconciliation in the region will dwindle unless some degree of sustainable consensus can be reached on realistic guidelines for U.S. policy. Contrary to the popular image, U.S. corporations and banks have emerged as pacesetters in establishing a record of positive consistency in southern Africa—both in their anti-apartheid pioneering within South Africa and in the nonideological criteria they have followed in developing mutually rewarding interests with the critical neighboring states of Mozambique, Angola and Zimbabwe.

Within South Africa, it became evident in 1985 that the time had passed when white-dispensed reforms might have enabled a government of flexible "modernizers" to move gradually toward a society based on class rather than race. Revolution in the sense of total destruction of the prevailing order is not a likely scenario in the near or medium run—because the potential revolutionaries lack arms, external bases and most of the other standard building blocks of twentieth-century revolution, while the government has the force at its disposal to impose a far more repressive regime than anything known to date in the country.[7] But a gradual slide into endemic violence and economic stagnation must be viewed as a possibility.

[7] See, for example, Robert I. Rotberg, "Seven Scenarios for South Africa," *CSIS Africa Notes*, No. 48, Oct. 29, 1985; and Helen Kitchen and Michael Clough, *The United States and South Africa: Realities and Red Herrings*, Washington, D.C.: Significant Issues Series, Center for Strategic and International Studies, 1984.

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If the cycle of violence is to be broken, some kind of genuine negotiations on a post-apartheid South Africa must get under way. There is growing doubt among whites, including significant figures in the inner circle of the ruling National Party, that President P. W. Botha is the man to guide the ship of state into these uncharted waters. These doubts deepened after Botha's "Rubicon" speech to a National Party congress in Durban on August 15—which friends and foes both at home and abroad had been led to believe would call for bold reforms—instead turned out to be a defiant assertion that the South African government would not be pushed into hasty concessions by outside pressure.

The question, as the Reverend Allan Boesak told *Washington Post* columnist William Raspberry in a Cape Town interview late in the year, is "not whether the government *will* do what is necessary to bring political change—and peace—to South Africa," but whether the Botha government "*can* do it." It would, to use Raspberry's phrase, "take a major Sadat-like leap of faith" for Botha to accept the conditions necessary for negotiations with black leaders who would be widely accepted as "authentic."[8] At a minimum, a growing number of whites in South Africa now acknowledge, this would probably mean the unconditional release of Mandela and other political prisoners, the legalizing of the ANC and other political groups, and the return of political exiles.

Moderate but "authentic" black leaders, both in the country and in exile, are increasingly concerned that the longer the present impasse continues the closer South Africa will move to the Lebanon phenomenon—with a generation of children who become politicized and brutalized in repeated encounters with police and thus come to view violence as the norm rather than an option. Township schools have become microcosms of the larger confrontation with white authority; nearly 40 percent of black students in urban areas boycotted final examinations in October-November, despite anguished counsel from parents and political leaders that "unlearned children cannot rule." As one township businessman phrased it: "The children are running the townships. When they tell you to close down, you close."[9]

[8] William Raspberry, "Another Lebanon," *The Washington Post*, Dec. 8, 1985.

[9] Steve Mufson, "South Africa's Blacks Question if School Boycott Hurts Them," *The Wall Street Journal*, Nov. 8, 1985. Glenn Frankel, "'Comrades' in Townships Lead Own Campaign," *The Washington Post*, Dec. 30, 1985.

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What in retrospect could be one of the most significant political milestones of 1985 was the launching at the beginning of December of the largest primarily black labor federation in the country. This new Congress of South African Trade Unions (COSATU) consists of 34 trade unions with some 500,000 members and is committed not only to achieving better wages and working conditions but also to playing an active role in the struggle against apartheid. At COSATU's inaugural rally, the leadership challenged President Botha to lift the state of emergency that was imposed in one-eighth of South Africa's magisterial districts in July 1985, to abolish "within six months" the laws that require blacks to carry passes, and to withdraw troops from black townships.

The new federation will address itself initially to organizing workers in key areas of the economy into some 13 industrial unions. If the leadership can keep its feisty constituent unions on track, and establish a working relationship with the two "black consciousness" federations that declined to bring their 250,000 workers into a movement committed to nonracial ANC guidelines, COSATU could put black workers in a position to invoke their potentially most powerful anti-apartheid weapon—a national strike. Until now, "stayaways" from work have been attempted only on a regional basis, and have had limited impact because of confused planning, unclear objectives and weak coordination.[10]

VI

Africa's persistent economic slippage was documented in 1985 updates from the World Bank and other international agencies, but a few tentatively encouraging breakthroughs injected some shafts of light into the gray horizon.

In the bad news department, it was reconfirmed that more than 29 of the world's 34 poorest countries are African; that Africa's population is growing faster than anywhere else on the globe (3.2 percent per year on average, but over four percent in Kenya); and that some three million Africans are currently refugees displaced from their countries of birth by famines, wars or oppression. The pace of urbanization (seven to ten percent per year overall, but up to 13 percent in some states)

[10]"Black Unions Launch New Federation in Bid for Greater Influence," *South Africa Review Service Reporter* (Investor Responsibility Research Center Inc.), Dec. 1985. Michael Hornsby, "If United They Stand, Apartheid Could Fall," *The Times* (London), Dec. 12, 1985.

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is resulting in mushrooming shantytown slums crowded with unemployed; the sub-Saharan region's trade deficit, some $7.9 billion in 1984, is continuing to rise; and, while sub-Saharan Africa's total foreign debt load (perhaps $80–85 billion at the end of 1985) is moderate in volume by comparison with that of major debtors in Latin America, even interest payments have become a major hardship.

In October the International Monetary Fund revised downward its estimate of growth in 1985 for all developing nations from 4.5 to 3.5 percent, and lowered its 1986 projection from 4.5 to 4.1 percent; African nations tend to cluster at the lower end of the Third World range. And although by December 1985 the Food and Agricultural Organization's list of nations facing severe drought-related famine contained 18 fewer African states than the FAO's January 1984 compilation, six were still placed in the emergency category: Angola, Ethiopia, Cape Verde, Botswana, Sudan and Mozambique. The U.N. Office of Emergency Operations in Africa, noting that resumption of rain does not bring immediate results in food production, added Burkina Faso, Chad, Mali, Mauritania and Niger to the tally of countries that will still need emergency aid in 1986.

While not attempting to gloss over the dimensions of the continuing economic crisis, some analysts, even in the U.S. banking community, venture to predict that 1985 may one day be viewed as the year in which fundamental, positive changes began to take place. Particular importance is attached to attitudinal changes on the part of both Africans and non-Africans.

At one level, the change in the United States has been a heightened awareness. The graphic human misery of tens of thousands of emaciated famine victims conveyed day after day on television focused a new genre of attention on the continent. A series of unprecedented fund-raising efforts—among them Band Aid, U.S.A. for Africa, and Live Aid—channeled some $100 million in donations into private voluntary organizations providing food for immediate famine relief, inputs for farm rehabilitation, and long-term agricultural research. U.S. government emergency relief totaled some $1.3 billion in Fiscal Year 1985, and allocation choices were made primarily on humanitarian rather than the ideological/geopolitical criteria that carry significant weight in regular aid programs. The famine relief efforts, along with steadily mounting media and public concern with the issue of apartheid in South Africa, have made more Americans aware of Africa than ever before.

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In a related development, Reagan Administration policy on multilateral agency aid in Africa underwent a major shift in the latter half of 1985. In 1984 the seventh International Development Association replenishment was held to $9 billion largely because of U.S. refusal to contribute more than $2.25 billion ($750 million per year). And in early 1985 the Administration blocked congressional adoption of a $250-million contribution to a special World Bank facility of $1.2 billion. But at the annual World Bank/IMF meetings in Seoul in October, Treasury Secretary James Baker unveiled a U.S. proposal for a five-year, $29-billion program to help the Third World cope with its debt and development problems; $9 billion would come from strengthened World Bank and IMF programs, and $20 billion from increased private lending.

Private bankers expressed skepticism, but acknowledged that they probably would have to go along. The IMF directors, by contrast, immediately voted to use a $2.7-billion trust fund (comprising repayments on existing facilities) to help the poorest countries; since China and India announced their willingness to forgo using the trust funds, most of the money could be earmarked for Africa. The program pledges assistance to countries "implementing economic programs designed to promote structural adjustment and growth in a medium-term framework"—that is, countries willing to undertake policy reforms.

Another encouraging passage took place at Addis Ababa in July, when heads of state who were gathered at the annual Organization of African Unity summit took note of the extraneous factors affecting their economies that are beyond their control ("the deteriorating terms of trade and the consequent reduction in export earnings for debt servicing, unprecedented rise in interest rates, sharp exchange rate fluctuations, deteriorating terms of borrowing, and the reduction in the flow of concessional resources, the combined effects of which result in net capital outflow from most of our Member States"), but focused primary attention on Africa's own miscalculations. Acknowledging that the primacy accorded to the state has hindered rather than furthered economic development, the summit's economic declaration affirms that "national development plans and annual budgets of most African countries have tended to perpetuate and even accentuate the dependency of our economies through reliance on foreign resources (financial and human) and has led to the misallocation of domestic

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resources through reduced shares for such high priority areas as agriculture, manpower, industry and massive expenditure on foreign consumer goods and nonproductive investment projects."

Whether prodded by outsiders or acting on their own, many governments are removing price controls and subsidies. In a number of countries, notably Kenya, Nigeria, Zambia and Zimbabwe, increases in producer prices toward free-market levels have resulted in substantial improvement in food production. Zimbabwe's maize harvest in 1985 amounted to two million tons (an increase of 167 percent over 1984, a drought year), enabling the country to export food again. Many governments saddled with unprofitable and unmanageable state-owned enterprises are seeking ways to close, rehabilitate or sell them to private investors. The list includes Congo, Guinea, Mali and other countries that have experimented with Marxist economic policies and organizational structures. The process is complex and risky, however, because it is hard to find private-sector purchasers (or original pre-nationalization owners) interested in taking on what are often unprofitable enterprises, and also because of political problems generated by influential sinecure-holders, charges by political opponents that the government is "giving away" national assets, and trade union wariness about possible job cutbacks in the name of efficiency.[11] Most African governments have also tried to rationalize their international economic relationships. During 1984 and 1985, Uganda, Zambia and Zaïre experimented with foreign exchange auction systems intended to allocate scarce hard currencies according to free-market principles.

The IMF has continued to link its short-term financings, designed to help member countries through temporary balance-of-payments difficulties, to stringent conditions controlling foreign exchange rates, foreign borrowing, imports, deficit spending and expansion of the domestic money supply. Some nations, including Ghana, Ivory Coast and Zaïre, having adopted the IMF prescriptions, could point by 1985 to improvements in overall economic performance; Ghana, for example, enjoyed an economic growth rate estimated at 6.5 percent for the year. Others, including Sudan, Uganda and Zambia, found

[11] L. Gray Cowan, "Africa Reconsiders Its Parastatals," *CSIS Africa Notes*, No. 33, Sept. 4, 1984.

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themselves struggling to meet their external obligations despite strenuous efforts to comply.

In Nigeria, where negotiations with the IMF have been a domestic political problem for three successive governments, the new head of state, Major-General Babangida, seemed to be in favor of reaching an agreement when he came to power in August. He then waffled and opened the issue up for public (i.e., media) debate in response to a public outcry, and on December 12 announced a decision had been made that "for now, the path of honor lies in discontinuing negotiation with the IMF." Nigeria had been told by its creditor nations and banks that agreement must be reached with the IMF before its trade debt of more than $5 billion could be renegotiated. In his New Year's Eve address to the nation, Babangida said that Nigeria will allocate no more than 30 percent of its export revenues to debt service in 1986.

VII

Although seldom acknowledged by U.S. military strategists or the American media, any significant change in the role crafted for France in post-colonial Africa by de Gaulle and his successors would necessitate a major reevaluation of conflict potential in the two thirds of the continent north of Zambia. In North Africa as well as below the Sahara, the French still constitute the largest single foreign community in most of the countries formerly under France's rule. As of 1985, some 300,000 French citizens were doing business or serving in a wide range of advisory, technical and educational roles.[12]

The 12th French-African summit, hosted by President François Mitterrand in Paris in mid-December, was attended by the heads of state or other senior representatives of 16 former French colonies and 19 other African states—a total of some two thirds of the membership of the Organization of African Unity. (Although Burkina Faso's president, Captain Thomas Sankara, pointedly declined to participate in the gathering for the second year in a row, he subsequently qualified his position. A December 13 Agence France-Presse dispatch cited "informed French sources" as saying that Sankara has "frequent letter-writing contacts" with President Mitterrand, and a senior Burkinabe diplomat told AFP that Sankara would quite possibly

[12] See Francis Ghiles, "Plus Ça Change, Mais . . .," *Financial Times* (London), Dec. 12, 1985.

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visit Paris soon and did not rule out future attendance at French-African summits "if the subject matter [is] changed.")

Contrary to many predictions, the French military role in Africa has not diminished since the Socialist government came to office in 1981. The new Rapid Action Force—a highly professional unit of 47,000 on standby to be dispatched on presidential order anywhere that French foreign policy dictates—is based in France near Toulouse. Some 7,300 other military personnel are positioned in French bases in Senegal, Ivory Coast, Gabon, Djibouti and the Central African Republic. Most other former sub-Saharan colonies have defense agreements with France that could be invoked in cases of external—but ostensibly not internal—threat. When exiles based in Angola launched invasions into Zaïre's Shaba region in 1977 and 1978, France played a leading role in the international interventions that turned back these challenges to the then shaky regime of President Mobutu Sese Seko. And in 1983, on Mitterrand's watch, France responded to a Libyan military move into northern Chad by sending in troops and aircraft to protect the government of President Hissène Habré.

The sub-Saharan economies that are in the least trouble include most of the 14 African members of the Franc Zone, whose common currency, the CFA franc, is linked to the French franc and freely convertible. All members deposit at least 65 percent of their foreign currency holdings in a special franc-denominated Ministry of Finance account in Paris. The ministry's regional role, which has been compared to that of the IMF, has enforced a degree of economic discipline that has effectively limited the inflation and drastic currency devaluations experienced by many other African countries.

There is no pretense that the attention France gives to Africa is purely altruistic. The historic French commitment to the *mission civilisatrice* serves well France's energetic commercial penetration of the continent (which extends to such non-francophone countries as Nigeria, now France's third-largest African market after Algeria and Egypt). Each of the Franc Zone members conducts between 40 and 60 percent of its trade with France. And there are security dimensions. As a former U.S. ambassador to Morocco and Algeria, Richard B. Parker, observed, "North African real estate . . . has vital implications for French security. The basing of a Soviet fleet at, say, Mers el-Kebir in Algeria, or Tangiers, would pose a direct threat to

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the French fleet, and require significant changes in military dispositions taken for the defense of France."[13]

There are uniquely French nuances in the interplay of military and diplomatic instruments in President Mitterrand's orchestration of African policy. Whatever use a future government with a different party base might decide to make of the Rapid Action Force, Mitterrand has demonstrated in Chad and in his persistent dialogue with Libya's Qaddafi and other North African leaders that he regards his military backup as an adjunct of diplomacy, not an end in itself. It is of no small importance that, like his predecessors, Mitterrand has the authority to commit French troops to African missions without prior knowledge or consent of parliament.

Although the confrontation with Qaddafi over Chad has elicited strong criticism of Mitterrand within France, it has not shaken the African view, expressed succinctly by Ivory Coast President Houphouët-Boigny in the late 1970s, that "France is the only Western country on whom we can rely in times of trouble." Tunisia's Prime Minister Muhammad Mzali underscored the point in 1985 by contrasting Washington's ambivalent position following the October 1 Israeli air raid on the Tunis PLO headquarters with the "unequivocal" attitude of France regarding this "act of international terrorism."

VIII

As the 535 members of Congress began to filter back to the Capitol following their end-of-the-year break, the most controversial Africa-related question awaiting early 1986 action (or shelving) by the Washington policy community was whether the war in Angola should continue to be regarded and dealt with as a potentially negotiable regional issue or, alternatively, regarded as one of the critical battlegrounds of the globe where "the march of Soviet expansionism" must be stopped. In the last days of December, the New Right was intensifying its campaign to gain White House, bipartisan congressional, and public support for its case for U.S. aid to Savimbi's UNITA. Why, asked former U.N. Ambassador Jeane Kirkpatrick in her syndicated column of December 23, does the State Department refuse to acknowledge a clear interest in Savimbi's struggle when Soviet determination to incorporate Angola's mineral

[13] Richard B. Parker, *North Africa: Regional Tensions and Strategic Concerns*, New York: Praeger, 1984, p. 134.

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riches, its location vis-à-vis southern and central Africa, and its deep water port astride Atlantic sea lanes into the "socialist world system" is so clear?[14]

Taking the opposite position in a Senate debate on December 10 was Senator Paul Simon (D.-Ill.):

> Angola buys more American goods than all but two or three countries in sub-Saharan Africa. No American citizen or property has been touched by the Government. . . . Angola is by no means a democracy; yet criticism of the Government is not only tolerated but widespread. . . . There are few political prisoners. In both of these respects the Angolan Government is far more tolerant than its larger neighbors to the south and north, South Africa and Zaïre.

As Senator Simon and a number of other unlikely supporters of Administration policy pointed out, there are clear signs that U.S. relations with the rest of Africa will be significantly affected if a policy decision is made to provide either overt or covert aid to UNITA in amounts and under terms that implicitly or explicitly equate the situation in Angola with that in Nicaragua or Afghanistan. The government of José Eduardo dos Santos is recognized by every member state of the Organization of African Unity, as well as all major Western nations except the United States. While the continued presence of Cuban troops and Soviet and East German advisers troubles some of Angola's neighbors, especially Zaïre, there is a broad acceptance of Luanda's position that the costly Cubans will be phased out when and if there is a settlement in Namibia under which South African troops return to the Republic and no longer pose a security threat to Angola. Moreover, given UNITA's close ties with South Africa, there is no escaping the fact that a major U.S. commitment to Savimbi would be widely perceived throughout the continent, and in much of the American body politic as well, as a military alliance with Pretoria.

In sum, U.S. policy toward southern Africa (and, by extension, toward Africa as a whole) was traveling on two tracks as 1986 began. Which track is closed down, and how, is likely to be determined more by 1988-related domestic political factors in the divided Republican and Democratic Parties than by the broad Africa-centered conceptual guidelines that dominated the policy process from 1981 to 1984.

[14] Jeane J. Kirkpatrick, "Angola: Talk Is Not Enough," *The Washington Post*, Dec. 23, 1985. See also the two-page article by Jonas Savimbi, "Angola: The Munich of Africa?" in *The Washington Times*, Dec. 30, 1985.

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Barry Rubin

MIDDLE EAST: SEARCH FOR PEACE

The Reagan Administration reached some important conclusions about Middle East policy during its first term. In 1985, it tried to apply them. The framework for its diplomatic activism had been laid down in the September 1982 Reagan Plan, but to this were now added calculations on the difficulty of mediating an Arab-Israeli peace settlement, the need to await decisive action by the involved regional states, a skepticism about Arab eagerness for negotiations, and the belief that the United States must stand its ground until the proper opportunity for peace arrived.

In contrast to previous years, there was no regional crisis to force dramatic U.S. action. Nor was there any major upsurge of Arab-Israeli tension, internal upheaval, or threat to Persian Gulf security brought on by Islamic fundamentalist revolutionaries or a widening Iran-Iraq war. Instead, there were experiments with new political alignments, including cooperation among Iraq, Jordan and Egypt, between Jordan and the Palestine Liberation Organization (PLO), and even, at year's end, between Jordan and Syria.

Fresh ideas were developed for forming a joint Jordanian-Palestinian delegation, frameworks for an international conference, and formulas for mutual Arab-Israeli recognition. While diplomatic maneuvers made little material progress in 1985, the channels opened might still provide a foundation for future breakthroughs. The two sides are still far apart, but some kind of negotiated solution seems more imaginable now than ever before.

Arab-Israeli peace is but an important aspect, rather than the sole consideration, of U.S. regional objectives, which continued to be defined by four principles: limiting Soviet influence while maximizing its own; encouraging regional stability

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against the danger of war or radical revolutions; supporting and strengthening allies; and assuring the continued supply of oil at reasonable prices. While, as always, there were numerous points of danger and tension in the Middle East, in 1985 the overall picture in regard to these four concerns was a reasonably positive one.

The United States has a greater degree of leverage in the Middle East because of the region's lack of reliably consistent alliance systems or any internationally recognized leaders. As Arab states have implicitly and explicitly developed their separate identities, pan-Arabism has become a less tenable ideology. The willingness of Egypt to sign the Camp David accords, of Lebanese Maronite Christians to ally with Israel, or of Syria and Algeria to support Iran against Arab Iraq, all point to this decay. Despite Islamic fundamentalism's inability to seize power anywhere outside of Iran, the movement has proved a source of divisiveness—through the Iran-Iraq war, terrorism and heightened communal tensions—rather than one of unity.

Egypt cannot play a leadership role in the region while it continues to be penalized for the Camp David accords; Iraq is tied up with an expensive war effort; Syria's obvious ambitions have brought it isolation; Saudi Arabia's economic leverage has steadily declined as its petroleum's price and production have fallen. In this situation of "every state for itself," Washington's role is very important. Several rulers seek an American *deus ex machina* to help them realize their respective political dreams.

The very conflict, search for security, and disunity that invite U.S. involvement also make it complex and frustrating for several reasons. First, there are discordant state objectives, not only between Arabs and Israel but equally among the Arabs themselves. Syria, for example, is determined to sabotage negotiations that would allow a Jordanian role on the West Bank, Egypt's return to the Arab fold, or the emergence of an independent PLO. Jordan's King Hussein and PLO chief Yasir Arafat will compete to dominate any future Jordan-West Bank confederation.

Second, there are internal contradictions in the bargaining positions and goals of each individual state. Jordan would like to have the West Bank back, but does not want to pay the price of recognizing Israel. Israel wants peace, but some Israeli political groups want to retain the occupied territory and almost all of them are determined to prevent PLO participation. Arafat would like to have his own West Bank state, but will

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neither recognize Israel nor designate Palestinian stand-ins to negotiate, because he fears Jordanian domination, Syrian revenge and a split in his own ranks.

Third, all of these difficulties are interconnected. It is hard to envision a diplomatic solution without Syrian participation but almost impossible to see any framework or outcome that would please Damascus and still be acceptable to Israel, Jordan and the PLO. King Hussein cannot step forward to negotiate without Arafat and, apparently, cannot persuade the PLO leader to make concessions either.

Consequently, the U.S. government has tended to focus on other more pressing—or promising—areas of the world, except when developments in the Middle East itself have forced action or given hope that activism might succeed.

II

During the Reagan Administration's first term in office, Middle East policy went through three distinct phases.

From January 1981 to August 1982, the Administration sought to downplay the relative importance of the Arab-Israeli conflict in order to concentrate on Persian Gulf security problems emerging from the Iranian revolution, the activity of Islamic fundamentalist groups, and the Soviet occupation of Afghanistan. A series of events, culminating in the Israeli invasion of Lebanon, made a change in focus both necessary and potentially opportune.

From September 1982 through May 1983, the Administration pursued an activist policy aimed at developing a settlement to the Lebanese civil war and the Arab-Israeli conflict. The Reagan Plan proposed the establishment of a Jordan-West Bank confederation as a framework for Palestinian self-determination. In exchange for Israel yielding territory, the Arabs would recognize the state and agree to some border modifications that would enhance its security. As it happened, the U.S. efforts to end the Lebanese civil war and moderate the Arab-Israeli conflict both failed. Syria refused to withdraw from Lebanon; the Lebanese political factions could not settle their differences. Heavy losses among the U.S. marines shocked Americans into demanding their withdrawal. Meanwhile, Arafat, Hussein and Israeli Prime Minister Menachem Begin rejected President Reagan's plan.

Disillusioned with these efforts, the Administration entered a third period, one of low activity, in its Middle East policy,

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which continued up to February 1985. More than a mere response to the presidential election year, this course was a logical reaction to its recent disillusionments and failures, plus a belief that new opportunities were lacking. U.S. policymakers reasoned that only an initiative by regional forces would make American involvement worthwhile.

A conjunction of regional developments—including a diplomatic initiative taken by King Hussein and the instituting of a new, more flexible government in Israel—set the stage for a fourth phase of U.S. policy in the opening months of 1985. Washington sought to encourage the formation of a joint Jordanian-Palestinian delegation as sought by Hussein, nudge it toward recognition of Israel, and create the basis for direct negotiations that would produce a solution within the general context of the 1982 Reagan Plan.

The changing fortunes and policy shifts of these earlier periods had never altered U.S. policymakers' continued preference for some form of "Jordanian solution." U.S. policy was that self-government by the Palestinians of the West Bank and Gaza, in association with Jordan, offered the best chance for a durable, just and lasting peace. The key hurdles remained the conditions for PLO involvement in negotiations, the framework for talks, and the willingness and ability of the United States to invest the energy and initiative required to move the process forward.

Prospects for renewed U.S. diplomatic efforts along this course seemed promising in early 1985 in several respects. In Israel, Labor Party leader Shimon Peres had become prime minister at the head of a national unity government in August 1984. Peres was friendly to the Reagan Plan concept and eager to negotiate with Jordan. Further, one of the new cabinet's first actions was to gradually withdraw Israeli forces from Lebanon (over a period extending from January through June 1985), a step that Jordan had earlier made a precondition for negotiations.

A further important consideration was that, by the terms of the coalition agreement, Peres was scheduled to hand over his office to Yitzhak Shamir of the Likud bloc in October 1986. Whereas Labor favored territorial compromise with Jordan on the West Bank (indeed, Peres and other party leaders had periodically met secretly with Hussein to discuss these matters), the Likud was more skeptical about the possibility of successful negotiations and more interested in permanently retaining the

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territories captured by Israel in the 1967 war. Thus, time became a central factor spurring all sides forward.

This incentive applied especially to King Hussein, who saw 1985 as a window of opportunity for seeking a political settlement. Not only did Hussein know that Peres was more open to compromise than Shamir, he feared that Israel was becoming more and more permanently entrenched on the West Bank. Hussein warned the November 1984 Palestine National Council meeting (held, significantly, in Amman) that time was not on the Arabs' side. In this dangerous situation Hussein noted an opportunity for himself. A PLO weakened by having been driven out of Lebanon and split by the secession of pro-Syrian Palestinian forces was easier for Jordan to influence and perhaps even to control.

Hussein thus sought to adapt the Reagan Plan approach to his own needs and constraints, incorporating the PLO as a subordinate partner. By seeking Arafat's consent to a joint Jordanian-Palestinian negotiating delegation, Hussein hoped to develop a series of talks with the United States, leading to some form of negotiations with Israel. The object was a peace agreement based on mutual recognition between the Arab side and Israel and on the establishment of a Jordan-West Bank confederation with Amman as the senior partner. The first step was a February 11, 1985, communiqué between Hussein and Arafat.

This agreement, made public by the Jordanian side, laid down rules for bilateral cooperation. It called for a solution involving an exchange of "land for peace," the acceptance of conditions "cited in U.N. resolutions," total Israeli withdrawal from the West Bank, a Palestinian "right to self-determination" but only within the framework of a confederation of Jordan and the West Bank, leaving vague how the power would be shared between Jordan and the PLO.

Almost immediately after the Jordanian government announced the communiqué, however, both individual PLO leaders and the PLO Executive Committee threw doubt on its contents, demanding further amendments including: a joint delegation consisting of all the Arab governments plus the PLO, independence for a PLO-led Palestinian state, criticisms of the "land for peace" formula, insistence on their refusal to recognize Israel or to accept U.N. Resolutions 242 and 338, and refusal to cede representation (even temporarily) to non-PLO Palestinians (even those willing to follow Arafat's orders). Said

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PLO leader Hani al-Hassan, "Frankly and clearly, I say that we reject [U.N.] Resolution 242. We rejected it in the past and will reject it in the future." Warned PLO "foreign minister" Faruq Qaddumi, "If Jordan sees any contradiction in its view of the draft formula with our understanding and point of view, then it is better to call a halt."

The PLO's obduracy resulted from a number of factors. Having barely escaped Syrian domination, Arafat was not about to accept Jordanian hegemony. Rather than freeing him from the need to appease his most hardline colleagues, the secession from the PLO of pro-Syrian rejectionists only added credibility to the threats of the most militant elements remaining in or close to the organization. Arafat retained his survivor's habit of keeping all options open while committing himself to no single course of action. He also retained a deep mistrust of U.S. and Israeli intentions.

In short, the situation in February 1985, while promising, was reminiscent of the intra-Arab impasse that had produced Hussein's rejection of the Reagan Plan two years before. Apparently, the Jordan-PLO accord was not finalized when Amman rushed to publicize the draft agreement. Jordan's action outmaneuvered the PLO but could not prevent Arafat from trying once again to escape the corner into which Hussein had prodded him.

Consequently, while the February 11 accord was generally in line with U.S. policy, at least as interpreted by Jordan, it lacked some vital clarifications and principles, including an unambiguous expression of the PLO's position and intentions. These were the issues on which U.S. diplomacy would concentrate for the rest of 1985 in seeking to push forward a peace process.

III

Two basic problems—the indeterminate policy of the PLO and the framework within which negotiations would be conducted—made the U.S. task a difficult and complex one.

The United States had to explore whether the PLO was really willing to accept U.N. Resolutions 242 and 338, negotiate seriously with Israel, abandon the use of terrorism and agree to a final recognition of Israel. Previous experience, reinforced by his behavior in 1985, showed that Arafat was too restricted by internal PLO conflicts, Syrian threats, fear of being controlled by Jordan, historical ideological commitments and lack

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of control over his own organization to take such a major step. He might simply be maneuvering for U.S. recognition without making any concomitant concessions, or he might be seeking a stronger position—a military presence in Jordan or even control over the West Bank—from which to continue a long-term revolutionary and terrorist campaign against Israel.

Successive U.S. administrations had preferred a Jordanian option precisely because they deemed an independent Palestinian state under Arafat's leadership to be contrary to U.S. national interests. Policymakers argued that a PLO state really would not be a stabilizing force in the region because it would have revanchist ambitions against Israel, or even Jordan, that would lead to further, chronic violence. And would the PLO's long-standing alliance with the U.S.S.R. and the radical stance of many of its leaders seriously threaten the United States' regional standing?

For these reasons, Hussein's approach was appealing to the Administration. But, by the same token, the Administration wanted to be sure that Hussein could deliver PLO support along the promised lines, leading to a successful diplomatic process and a lasting peace.

Then there was the matter of the framework for negotiations. Hussein and Arafat insisted on an international conference including the members of the U.N. Security Council and all relevant Arab states. Washington and Jerusalem wanted direct negotiations, arguing that an all-inclusive international conference would be doomed to failure. Damascus could be expected to try to wreck the meeting by pushing the Arab side toward intransigence. Moscow would try to seek Arab favor and undermine the moderates by raising maximalist demands. These considerations had led both the Carter and Reagan Administrations to abandon a Geneva conference framework that would have the United States and U.S.S.R. as co-chairmen.

During the six months after the February 11 communiqué, the United States stressed diplomatic explorations with Jordan and Israel aimed at solving the issue of Palestinian participation. After failing to find an acceptable joint delegation, Washington shifted its emphasis to gaining a compromise over the diplomatic framework for talks. The fundamental U.S. approach on the representation issue was to give the PLO a choice. Either Arafat could find some format to indicate his willingness to recognize Israel or he could designate pro-Arafat but non-PLO Palestinians to represent his interests in preliminary exchanges.

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Building on the February 11 communiqué and the expected relative flexibility of Prime Minister Peres, the Reagan Administration began in April to launch a major sounding-out effort. As Assistant Secretary of State Richard Murphy explained the new policy: "The parties in the region have imparted a new momentum to the search for peace. . . . We strongly support King Hussein's efforts to move toward negotiations, but only time will tell whether the agreement will ultimately enable him to do so."

Shortly thereafter, with Peres expressing willingness to negotiate with a Jordanian-Palestinian delegation, Murphy went to the Middle East to assess the situation. This marked the beginning of an attempt to coordinate such a meeting. On a visit to Washington in late May, King Hussein presented a comprehensive plan for moving the process forward. This four-stage blueprint demonstrated both the promise and weaknesses that mark the current phase of the diplomatic process:

1. The United States would meet with a Jordanian-Palestinian delegation including Palestinians who were not PLO members but who would take orders from the PLO. Reactions to this first step were uneasy. Israel worried that such a meeting would constitute U.S. recognition of the PLO without any commensurate Arab concession. The Administration was generally willing to meet with a Jordanian-Palestinian delegation, but believed that the encounter should not take place until it was clear that the exchange would not be a dead end. Hence, Washington wanted a clear reason, if not outright guarantees, to be sure that any meeting would produce progress toward direct negotiations between the Arabs and Israel.

Hussein was asked to submit the names of potential Palestinian participants and he, in turn, requested a list from Arafat. The result was disappointing: the PLO's list presented in July, even after Jordanian vetting, consisted almost entirely of PLO activists. When Peres, after rejecting the others, accepted two of the proposed delegates, the PLO withdrew the names of those two men. Despite its less demanding criteria, Washington also found the PLO-Jordanian list unacceptable since almost all those named were clearly mid- and top-level PLO leaders. This fact contradicted not only the U.S. position—no recognition of the PLO until it expressed a willingness to recognize Israel and cease the use of terrorism—but also Hussein's own formula.

2. The purpose of the U.S. meeting with a Jordanian-Palestinian delegation, in the Hussein initiative, was to clear the way

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for U.S. recognition of the right of the Palestinian people to self-determination, within the context of a confederation with Jordan. Arafat, according to King Hussein, would then be ready to announce his willingness to recognize and negotiate with Israel by accepting U.N. Resolution 242.

Secretary of State Shultz wanted, but never obtained, PLO confirmation of Hussein's claim. Although Arafat did not denounce Hussein's efforts, his top colleagues repeatedly contradicted the Jordanian king's assertion throughout the spring. This behavior was of great importance in maintaining Washington's skepticism. Just as the Administration wanted a meeting between Murphy and a Jordanian-Palestinian delegation to lead toward direct negotiations, it also expected the immediate aftermath to include an unambiguous recognition of Israel by Arafat. In short, events cast doubt on Hussein's ability to deliver on his own plan.

3. Hussein proposed that, contingent on the exchange of recognitions planned in step two, the United States would hold another meeting with another Jordanian-Palestinian delegation, which would then include PLO officials, to discuss the details for an international peace conference. But the statements of PLO leaders and the composition of the proposed Jordanian-Palestinian delegation seemed to prevent the enactment of step two entirely. The U.S. government was, in effect, asked to recognize the PLO and accept an international conference without prior assurance of any changed PLO policy or eventual direct negotiations.

4. An international conference of the five Security Council members plus Israel, the PLO, Jordan, Egypt and Syria would convene to produce a peace agreement. The United States, opposed to an international conference, wanted the fourth stage to be a direct, face-to-face peace conference between Israel and a Jordanian-Palestinian delegation. As the situation evolved, Washington remained more flexible than Israel about permitting PLO involvement, but Israel eventually proved more willing to compromise on a multilateral negotiating framework.

Israel's response to Hussein's ideas was given by Prime Minister Peres in a five-point plan announced on June 11. He called for a Jordanian-Palestinian-Israeli summit with U.S. participation. The U.N. Security Council members would endorse the meeting without actually participating. Commented Peres, "I believe that Hussein needs peace [and] that he cannot

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proceed without the Palestinians and possibly, in his opinion, without the PLO either."

Despite these very real problems and differences, the Administration knew that the gap between the Arabs and the Israelis was at least narrower than it had ever been before. To encourage Hussein, whose sincerity was admired in Washington, the State Department obtained from Congress $250 million in economic aid for Jordan (the previous assistance level had only been $20 million a year) and held out the possibility of a major arms sale as well.

But the Administration also expected a resolution of several problems: the composition of the joint delegation, PLO recognition of Israel, a linkage between the steps Hussein proposed, and direct negotiations rather than an international conference. This required a better offer from Hussein and Arafat. As Murphy put it in late June, "If 1985 is the year of opportunity, as Arab leaders say, then the Arabs themselves are going to have to make some hard decisions."

By July, the Arab failure to produce a list of Palestinian delegates acceptable to either the United States or Israel was dimming hopes for success. Building on its experience with the Reagan Plan, the Administration put the onus on the regional actors to ensure change in Arab attitudes, and the timing for "a big push" was said to be "not an exclusive American calendar."

In contrast to the big push for the Reagan Plan in 1982–83, the Middle East was not the Administration's top priority in 1984–85. By the same token, unlike the initial 1981–82 era, the United States was ready to press forward with serious efforts if the potential for successful negotiations seemed promising. Until negotiations were imminent or prospects were more fluid, however, the White House left the exploratory phase in the hands of the State Department's middle echelon.

A visit by Murphy to Jordan in August did not succeed in removing the obstacles. In fact, Jordanian Prime Minister Zaid al-Rifai stated that his country would reject any U.S. demand that a meeting lead to direct Arab-Israeli talks. The State Department pursued several options to reduce Arab intransigence. One much discussed idea was that the proposed U.S. arms sale to Jordan could be used to prod Hussein toward further action. Israel was skeptical about this approach, and it quickly emerged that the members of Congress who would oppose the sale were numerous enough to ensure its defeat.

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Opponents felt such a deal should serve as a reward for Jordanian recognition of and negotiations with Israel, rather than as an incentive to bring them about.

Syria presented an additional obstacle to the progress toward negotiations. President Hafez al-Assad's ambitions for regional power, including domination of Lebanon and the Palestinian fate, posed a threat to Jordan if King Hussein proceeded with serious negotiations. Syria's assets included its hegemonic position in Lebanon, control over some Palestinian forces, and status as the U.S.S.R.'s most important regional ally. Damascus had proven its determination by outlasting Israeli and U.S. attempts to put anti-Syrian factions in power in Lebanon. But Syria's limited control over Lebanon was based on its skillful manipulation of the warring elements; Assad was no more able than any other outside force to impose a peaceful political solution there.

By committing himself to the support of anti-Arafat Palestinians, however, Assad had forfeited the very flexibility that had ensured the Syrian position in Lebanon. Syrian attempts to control the PLO only drove Arafat closer to Hussein. This new alignment made Damascus all the more determined to block any process that would bring together its enemies (Israel and the United States), and its rivals (Egypt, Jordan and Arafat's PLO). For Syria, successful negotiations were anathema, not because they might foreclose its regaining the Israel-occupied Golan Heights—a relatively minor issue—but rather because they would create a new balance of power and thus threaten to reduce Syria permanently to second-rate status in the Arab world.

Nevertheless, given undoubted U.S. support for Jordan in the event of a Syrian invasion, as well as the strength of hostile Israeli and Iraqi forces on its border, Damascus was not likely to send its army into Jordan. The real danger was that Syria would step up its campaign of terrorism, assassination and subversion against Amman.

Further, the underlying problems of the peace process had less to do with Jordanian confidence in the United States (which the proposed arms sale would supposedly strengthen), or with Hussein's fear of a Syrian attack (which the sale would allegedly counter), than with the constraints that PLO inflexibility imposed on the Jordanian government. Hussein's possession of more guns would not ease his need for Arafat to be more

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forthcoming with PLO recognition of Israel and engagement in direct negotiations.

The Administration's hopes were pinned on Hussein's visit to the United States in September. On September 17 the White House sent Congress prenotification of the $1.9 billion arms sale—including 40 advanced fighter planes, 12 mobile antiaircraft missile batteries, and 72 Stinger surface-to-air missiles. This step was timed to give Hussein an additional push at the critical moment. If the king did not give assurances persuasive to Congress, the Administration could withdraw the proposal.

At the United Nations Hussein declared, "We are prepared to negotiate, under appropriate auspices, with the government of Israel, promptly and directly, under the basic tenets of Security Council Resolutions 242 and 338." He maintained, of course, that an international conference provided appropriate auspices for negotiations, but he went a bit further, defining it as an umbrella for direct talks rather than as a substitute for them.

After his meeting with Hussein on September 30, President Reagan remarked, "Jordan has been moving steadily and courageously forward in the search for a peaceful negotiated settlement in the conflict in the Middle East [and] has not wavered despite attacks and threats." Washington's goal was still "direct negotiations, under appropriate auspices, before the end of this year."

Hussein's visit was nonetheless disappointing for the Administration. The king had brought no new ideas and would not publicly declare an end to the state of belligerency with Israel. The two sides were no closer to setting up a meeting with an acceptable Jordanian-Palestinian delegation, and the peace process seemed stalled after eight months of intensive efforts. When Congress postponed consideration of the arms sale until March 1, 1986—unless direct talks started in the interim—the White House did not forcefully object. Jordan responded by easing its relations with Syria; Amman pledged to cease support for Syrian Islamic fundamentalist revolutionaries and, late in December, King Hussein traveled to Damascus for a meeting with President Assad. By these steps, however, Hussein did not renounce his option to continue the peace process if and when that seemed a promising alternative.

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IV

The crisis of terrorism and reprisal that ensued in October did not in itself stymie the peace process. Unresolved problems and conflicting positions were already well defined. Of course, the PLO's continued use of terrorism had long been a factor inhibiting U.S. and Israeli willingness to recognize and negotiate with the organization. In late April, when the PLO was supposedly following a new diplomacy-oriented course, Israel sank a boat carrying a PLO terrorist task force which had been dispatched from Algeria by Arafat's right-hand man, Khalil al-Wazir. Secretary Shultz warned, "Those who perpetrate violence deal themselves out of the peace process," but the issues that had inhibited that process in the February-September period had been political ones, not the existence or practice of terrorism.

Terrorism had earlier played a major role in wrecking the U.S. marines' mission in Lebanon. Seven Americans had also been kidnapped by Islamic fundamentalist groups in Beirut and held hostage for well over a year. The Administration quietly warned Iran that retaliation would follow if any of them were harmed. But while the White House had courted a reputation for toughness, in fact it had not carried out reprisals, or even attempted missions to rescue hostages, in several terrorist incidents.

Both the political entanglements that terrorism could create and the cautious U.S. policy underlying the hardline rhetoric were vividly illustrated when, in June 1985, a U.S. airliner was seized by Shi'ite fundamentalist hijackers and flown to Beirut. One American passenger was murdered and 40 others were held for over two weeks.

The Administration faced a complex situation. On the one hand, while the hijacking was carried out by pro-Iranian fundamentalists, a large element of control over the situation quickly passed into the hands of Nabih Berri, leader of Amal, Lebanon's dominant Shi'ite group. While an ally of Syria, Berri was also a communal nationalist who had little interest in Islamic revolution or in war with the United States or Israel as an end in itself. The crisis, then, had more to do with the ramifications of Lebanese politics—with each group trying to prove its militancy and effectiveness—than it did with U.S. policy or interests. After all, the hijackers' main demand was

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that Israel free Shi'ite militiamen and terrorists captured in southern Lebanon. But Israel was already in the process of letting them go, and the real issue seemed to have become which Shi'ite group could appropriate the credit for this achievement.

The official U.S. position continued to be a refusal to negotiate with terrorists or to meet their demands. In practice, however, the Administration urged Israel to accelerate the release of the prisoners. Syria, worried about any spread of pro-Iranian Islamic fundamentalism in Lebanon, used its leverage with the Shi'ite groups. The hostages were finally released safely.

Despite the apparent American national fixation with the hostage crisis—U.S. media coverage reached unprecedented saturation proportions—the affair had little or no lasting political impact. The situation produced neither U.S.-Syrian rapprochement nor any serious U.S.-Israeli friction. Specific terrorist incidents attract a great deal of attention for a short period of time, but they rarely alter political circumstances.

At the same time, the Beirut airport hostage affair showed the continued uncertainty among U.S. political leaders and the general public on the question of how to deal with terrorism. Polls showed that most Americans wanted the hostages to be released even if this required yielding to terrorist demands. A U.S. attempt to organize an international boycott of Beirut's insecure airport gained almost no support, even among U.S. allies. In a major speech, President Reagan attacked Iran and Libya, though not Syria or Iraq, as countries supporting terrorism. But the debate within the U.S. government on what, if anything, to do about such behavior remained unresolved. Some observers claimed that Washington's frustrations in combating terrorism lessened U.S. credibility. One of the terrorists jeered, "The American war machine is nothing but a child's toy" and argued that the hijacking demonstrated the "ability of the oppressed to confront America." Yet, far from viewing the United States as helpless, Middle East leaders complained of U.S. bullying, while they clamored for American aid, arms, technology, support and mediation on a whole range of issues.

The dramatic series of events in September-October 1985 revived some of these controversies. Attacks against Israeli civilians culminated in the murder of three Israelis in Cyprus on September 15. Israel blamed the PLO, and a fortnight later launched a bombing attack on the organization's offices in

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Tunisia. Six days after that, Palestinian terrorists, whose close links with the PLO were later revealed, hijacked an Italian cruise ship, the *Achille Lauro*, murdering an elderly, crippled American before surrendering to Egyptian authorities. Three days later, an Egyptian airliner carrying the three terrorists was forced by U.S. fighter planes to land in Italy, where the terrorists were tried and convicted.

A number of apparent, but ultimately short-lived, frictions for the United States arose from these developments. Much was made of conflicting statements between President Reagan and State Department officials over Israel's raid against PLO facilities in Tunisia. The President said that Israel and other nations had the right to strike back at terrorism, "if they can pick out the people responsible." Secretary Shultz' statement was designed to be more critical of Israel and stressed regret for Tunisian casualties. The United States abstained on a U.N. resolution that condemned Israel for the attack without mentioning the terrorist actions that had motivated it. Although the ambiguity could have been handled better, it did reflect the diversity of U.S. interests: the United States is an ally of Israel and enthusiastic supporter of counterterrorism, but at the same time is ally of several Arab states, including Tunisia, and a mediator in the Arab-Israeli conflict.

Relations were also strained with Italy, which refused U.S. requests to extradite the terrorists and which let PLO leader Abu Abbas, the affair's apparent mastermind, flee the country; and with Egypt, which resented the U.S. action taken against one of its planes in spite of President Hosni Mubarak's central role in securing the release of the *Achille Lauro* passengers. These tensions should not be overstated. The Italians were soon forced to admit that Abu Abbas had been behind the *Achille Lauro* attack; the Egyptians later used U.S. assistance when terrorists hijacked one of their planes to Malta in November. When the heat of specific terrorist incidents dissipates, tempers cool as well.

As for the peace process, which was already in significant trouble, the *Achille Lauro* affair made the PLO seem less attractive as a negotiating partner and less credible as a moderate force. A planned meeting between a joint Jordan-PLO delegation and Britain, which seemed almost like a dress rehearsal for the long-awaited conference with U.S. representatives, fell through after the PLO refused to authorize signing a statement

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that would imply willingness to recognize Israel. Amman sided with London in criticizing Arafat.

Hopes for progress stayed alive, but the chances for a breakthrough dimmed considerably, even after Peres made a conciliatory speech at the United Nations in late October. The Israeli prime minister put forth the idea that direct talks could be initiated with support from an international forum, a concession to Jordan's desire for an umbrella of that sort. He also expressed willingness to meet with a Jordanian-Palestinian delegation "comprising delegates that represent peace, not terror," an implication that he would accept PLO participants if that organization's policy ever did change.

Perhaps Mr. Shultz provided the best summary of the situation after the year's experience with the peace process. The secretary of state said:

> The PLO has been involved, in recent weeks, as in the past, in acts of terror and violence; and I don't see how those who are perpetrating terror and violence against one of the parties deserve a place at a peace table. . . . So, those who are ready to sit down with Israel and try to work out peace, those who accept Resolutions 242 and 338, and those who are prepared to stop the so-called "armed struggle" deserve a place at the peace table, whatever their label may be—and those who aren't willing to do that don't deserve a place, in my opinion.

As this statement indicates, 1985 was generally a year of close U.S.-Israeli cooperation. U.S. aid levels were at an all-time high, amounting to one quarter of the entire U.S. foreign assistance program. This leverage was successfully employed early in the year to pressure Israel toward an economic austerity program to deal with its severe inflation. In April the United States ratified a Free Trade Area that would encourage trade and technology transfer. However, bilateral friction and some restrictions on information exchanges followed the arrest, on November 21, of U.S. Navy employee Jonathan Pollard, who was stealing American intelligence reports on the Arab world for Israel. Israel promised cooperation in the investigation, but bitter feelings remained within the U.S. bureaucracy and even among American Jews supportive of Israel.

V

Despite the emphasis on the Arab-Israeli peace process, the United States was also concerned with the region's ongoing

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Iran-Iraq shooting war and with the preservation of Persian Gulf stability and security. The Iran-Iraq war, however, remained an inconclusive struggle and one which the United States could make little contribution toward ending.

By the beginning of the year, it had become obvious that Iran's two strategies for gaining victory—a military breakthrough or Iraq's economic collapse—were leading nowhere. Iranian offensives suffered heavy losses without breaking Iraqi lines. New Iraqi oil pipelines through Turkey and Saudi Arabia involving private U.S. companies and credits from the U.S. and other governments strengthened Baghdad's ability to resist. Indeed, it was Iran that faced some belt-tightening as Iraqi attacks on the Kharg Island terminal cut temporarily into Teheran's petroleum-exporting capacity.

While Iran's high casualties and economic austerities—1985 oil revenues were only 61 percent those of 1984—caused more discontent with the war and government, dissatisfaction was not dangerous enough to press Iranian leaders toward seeking peace. The communist, leftist, democratic and monarchist opposition movements had all been smashed. In addition, Ayatollah Ruhollah Khomeini was determined to carry on the war, and no politician dared challenge his will. Even though Ayatollah Hussein Montazeri was named Khomeini's future successor at year's end, the charismatic national leader remained active and the Islamic regime was well entrenched.

As with the Arab-Israeli conflict, the United States' varied interests in the Iran-Iraq war forced some complex calculations. While the greatest immediate threat was an Iranian victory or subversion endangering the friendly states of the Persian Gulf, U.S. leaders also had to take into account the danger that a cornered Iran might turn decisively toward the Soviet Union. The resulting policy was one of public neutrality regarding the war, combined with a tilt toward Iraq. U.S. willingness to criticize Iraq over its use of poison gas in combat showed the former factor; Baghdad's long-awaited decision to reestablish diplomatic relations with Washington symbolized the latter part of the equation.

Iraq wanted the United States to go even further. It successfully urged Washington to put more pressure on allies to stop selling equipment to Iran. The frequent, though mistaken, suggestions of Iraqi leaders, echoed by other Gulf Arabs, that a determined United States could bring the war to an end,

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demonstrated their continued belief in—even exaggeration of—U.S. power.

Shifting economic developments made the Gulf region less strategically critical and influential, although it was still of great importance, in U.S. considerations. Indeed 1985 might even be taken as marking the end of the oil boom that had begun a dozen years earlier. The output of crude oil by the Organization of Petroleum Exporting Countries in the second quarter of 1985 was 14.7 million barrels a day, the lowest in 20 years. Saudi Arabia cut its output from its 1981 peak of 9.6 million barrels a day down to barely three million barrels a day. Non-OPEC producers rapidly increased production to gain desperately needed income. OPEC's market share fell from over one half of oil traded internationally to less than one third.

OPEC was forced to make three price cuts throughout the year due to these new sources of production, improved Western conservation, and the lingering effects of worldwide economic slowdowns. At a December conference, the formerly dominant cartel acknowledged the declining coordination of its members and their widespread cheating against its quota system. While the gathered oil ministers said their governments would defend a "fair share" of the market, several member and non-member states announced new price reductions. For the first time, prophecies of OPEC's collapse seemed credible. All the oil producers had less money to spend for imports and internal investments. Although there was no immediate crisis—a large cushion of capital had been built up over the previous decade and foreign workers could be sent home in the event of widespread unemployment—this fiscal pressure seemed to signal future political problems.

These events, and some experiences from previous years, also heightened U.S. skepticism over Saudi Arabia's potentially positive role in resolving regional problems. The Saudis were largely absent from the diplomacy over the peace process—Jordan and Egypt played the key Arab roles. Nonetheless, the Administration still emphasized the indirect and behind-the-scenes U.S. role in strengthening local forces, primarily the Saudi-led Gulf Cooperation Council, to provide the maximal degree of security for themselves.

Further, in an effort to initiate a major new arms sale to Saudi Arabia, later abandoned, a Department of Defense leak to the press suggested that Riyadh had agreed to allow the United States use of bases in Saudi Arabia in the event of

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Soviet aggression, the specific contingency for which the U.S. Rapid Deployment Force is nominally intended. The quiet nature of these efforts sharply contrasted with the outspoken rhetoric of 1981, but the policy itself has remained fairly consistent. These plans are, however, still untested, and there is reason to doubt that the Administration and Department of Defense have yet sorted out the optimal kinds of responses to internal instability in the Gulf.

VI

Egypt continued to make progress toward regaining its key role in the Arab world. President Mubarak was adept at pursuing balanced policies: he normalized relations with Jordan and, for all practical purposes, with Iraq and the PLO, without retreating from Egyptian positions. Cairo carefully cultivated peaceful relations with Israel while keeping them at a fairly cool level. At home, Mubarak cleverly defused Islamic and secular oppositionists by simultaneously courting them with meetings and minor concessions and containing them through selective arrests and restrictions.

On one level, the regional situation proved former President Anwar al-Sadat to have been correct. So great is Egypt's political, cultural and strategic weight in the Arab world that the other states cannot long exclude it. While Mubarak moved slightly away from Sadat's policy of close alignment with the United States, he protected the relationship that had provided Egypt with $10 billion in aid over the last decade. Egypt is the second-largest recipient of U.S. assistance in the world, and it shares with Israel the advantage of having all its military aid converted from loans to grants.

Domestic affairs proved more intractable. The tremendous power of incumbency in highly centralized Egypt was Mubarak's great asset. The president's control of the national finances, the army and the giant bureaucracy gave him a strong political base. While Islamic fundamentalism had some appeal for many Egyptians, most of them supported reformist—rather than revolutionary—varieties of the creed. They were more concerned with cultural issues and with seeking different government policies than in seeking to overthrow the regime entirely.

The real difficulty for any Egyptian government is that so many of the country's problems are seemingly insolvable: a high population and birth rate, a lack of resources and land.

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Western experts can easily point out the flaws in Egyptian policy. Too much money is spent on the army, on the ineffective bureaucracy and on food subsidies that keep prices so low that peasants can afford to feed bread to their livestock. An Egyptian can reply, with equal logic, that changes in this system would threaten the regime's survival. Cutting the military budget might encourage angry officers to organize a coup d'état. Reducing the bureaucracy would throw out onto the street the kind of educated young men who would be natural leaders of a revolution. Slicing subsidies, as Sadat discovered in 1977, could set off massive riots.

Egypt's assets include its Sinai oil production, Suez Canal revenues, U.S. aid, and remittances—albeit declining ones—from workers in the Persian Gulf. Dependence on foreign aid offends Egyptian pride, a factor that played an important part in Cairo's resentment and later expulsion of the Soviets. Egypt now boasts the largest U.S. AID mission in the world and will soon have a high-rise U.S. embassy whose appearance on the Cairo skyline will be a constant reminder of the American presence. The *Achille Lauro* affair added to the potential friction. Economic problems at home and the necessity to channel Islamic or nationalistic sentiments might encourage Mubarak to develop an even more nonaligned foreign policy.

The greatest immediate foreign policy concern for Egypt, however, seems to be the subversive efforts of Libya's Muammar al-Qaddafi. After the April coup against Sudan's pro-Egyptian president, Jafar al-Numeiri, Qaddafi also stepped up his intervention in Sudan. The Reagan Administration has long identified Qaddafi as a key antagonist and sponsor of international terrorism and, since 1981, has been periodically discussing covert operations against him. Terrorist attacks at the Rome and Vienna airports at the end of 1985, praised and apparently supported by Libya, intensified U.S. antagonism toward Qaddafi. The Administration's efforts to organize pressures on Libya were seriously constrained, however, by the European allies' refusal to cooperate. If any real subversive effort was going to be mounted against the Libyan regime, Cairo would play a central role in encouraging and implementing it. So far, while the Egyptians would like to see Qaddafi eliminated, political and logistical considerations have deterred them from spearheading such a campaign.

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VII

Despite the inevitable vicissitudes and uncertainties, the overall strategic and political situation in the Middle East was not unfavorable to U.S. interests at the end of 1985. Terrorism, often aimed against Americans, hypnotized the media and caused terrible losses in human terms, but hardly destabilized the region. Islamic fundamentalism proved incapable of mounting successful or even serious revolutionary challenges to any of the region's regimes. The Lebanese civil war raged on, but it was clear that neither Syria nor radical anti-American forces could really dominate the country. A bloody Iran-Iraq war remained indecisive but showed no sign of spreading or endangering the Persian Gulf oil exports.

Significantly, the United States retained a wide variety of allies, while the U.S.S.R.'s influence remained extremely limited. Moscow's achievement of diplomatic relations with Oman and the United Arab Emirates only symbolized how weak the Soviet regional position had become. Soviet problems arose from their inability to supply aid and modern technology, broker peace negotiations or demonstrate reliable support for their own clients. Since some of these shortcomings stemmed from Moscow's lengthy leadership vacuum, the installation of the Gorbachev team in power might prove the basis for a new Soviet activism in the region.

If the Iranian revolution and the failure of U.S. leverage in Lebanon demonstrated the limits of American power, especially military power, in the region, 1985 provided a lesson on the continuing importance of the United States' political and diplomatic role. U.S. attempts to mediate—and its failure to resolve—the Arab-Israeli conflict often seemed to produce acrimonious reactions in the area, yet it was still universally acknowledged that only Washington could foster any peaceful conclusion.

A second lesson is that regional forces had to take the lead in seeking to solve their own conflicts. The United States could help this process but would not be able to make a breakthrough against the resistance of those directly involved in any dispute. But, within this framework, controversy remained over the proper degree of U.S. activism and initiative in the peace process.

With the Arab-Israeli peace process stalled at the end of

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1985, there is a significant danger that the United States could become too passive or reactive, missing opportunities for progress. The Administration's patience and increased sophistication about the workings of Middle East politics is welcome, but it should not abandon the responsibility of staying active in promoting negotiations even while it remains skeptical about their prospects. One does not have to be a cynic to note that the appearance of U.S. concern is as important in the region as is the reality.

Technical issues should not obscure the basic problem of the U.S. mediation efforts, which, as former Assistant Secretary of State Harold Saunders has explained, "is not how to arrange a negotiation [but] how to make it politically possible—even imperative—for leaders in the conflict to commit themselves to negotiation." Jordan, the PLO, Israel, or Syria do not fail to make peace merely because the United States has not managed to convince them to do so, but rather because of very real internal and regional considerations. Arafat is unwilling to risk domination by Jordan, or to lose control of the PLO, by stepping forward; Hussein is paralyzed by Arafat's intransigence, not by a lack of U.S. arms.

At the same time, the long, slow trend toward closing the political gap is based on long-term material realities, not just momentary opportunities. The fact that the Arabs have proven unable to defeat Israel, and the heavy Israeli burden of the occupation and permanent military preparedness, are important factors that are pushing the local forces toward new, perhaps even more promising, efforts to shape their future.

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THE GENESIS OF GORBACHEV'S WORLD

Mikhail Gorbachev addressed a closed party audience: "What is at stake today is the ability of the Soviet Union to enter the new millennium in a manner worthy of a great and prosperous power. . . . Without the hard work and complete dedication of each and every one it is not even possible to preserve what has been achieved." This speech, only a part of which has been published, continued: "There has been a failure to perceive properly the need for change in some aspects of production relations," to perceive the need to overcome "the stagnant conservatism of Soviet production relations."

In Marxist-Leninist terms this kind of statement is as critical on economic matters as was Khrushchev's "Secret Speech" in 1956 on political matters. Will the words of Gorbachev that so solemnly toll the gravity of the crisis inherited by the new leadership be followed by deeds that fundamentally reverse the decline of this great superpower?

Great expectations preceded the new general secretary into office. The enduring succession of a resolute and capable leader was heralded as a decisive event that would shape Soviet policies into the 21st century. Predictions were made of radical responses to grievous structural weaknesses of the Soviet economy and polity. After the long paralysis of Leonid Brezhnev's last years and the fleeting passage of Yuri Andropov and Konstantin Chernenko, a kind of hunger for dramatic change seized members of the Soviet elite as well as Western statesmen, analysts and journalists. Attributed to the new leader, by Soviet and Western observers alike, were personality traits and policy preferences that seemed logically to suggest and even to foretell a fundamental transformation of Soviet life.

But how realistic are these expectations? If leaders can better

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the fate of nations, they can also fall victim to the confining conditions of their social, political and economic environment. Even rulers to whom the centralized Soviet system offers such great potential for power are ultimately constrained by the substance of their legacies, by the ideological formulas on which their regime's legitimacy rests, and by the human material with which they must work. On the eve of the 27th Party Congress, scheduled to begin on February 25, sufficient time has passed to evaluate the unfolding world of Mikhail Gorbachev.

II

The new Soviet leadership bears a heavy burden. It came to power with the explicit commitment to arrest and reverse the trend of decline, policy drift and leadership paralysis. Gorbachev and his associates inherited a far-reaching and multidimensional systemic crisis.

The present economic system cannot deliver the sustained expansion without which Soviet power will falter. It cannot create and assimilate the new technology or command the high labor productivity without which intensive growth is not possible. Declining growth rates have limited the availability of new capital. The cost of extracting natural resources has skyrocketed; there are labor shortages; the Soviet machine stock is the oldest of any industrial power. Few incentives are available to stimulate worker productivity and technological progress. The system of centralized, direct planning stresses quantity over quality and lacks the flexibility necessary for innovation. The backward infrastructure of industry, construction and agriculture produces enormous waste. Bottlenecks in steel, transportation and machine-building are chronic. Scientific research is divorced from productive application.

The political system has exhibited its grave shortcomings by being unable to provide dynamic leadership. High and low officialdom's unparalleled longevity in office rewarded incompetence, perpetuated corruption and frustrated the ambitions of younger generations. The Soviet bureaucracy successfully resisted exhortations of the leadership to achieve greater efficiency; it condemned to failure even the half-hearted attempts at reform. Apathy and cynicism made the population impervious to the leadership's attempts at mobilization.

The social system was weakened as private concerns took precedence over social and communal responsibility. Neither

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coercive countermeasures nor ideological slogans and appeals to patriotism could halt the decline of social discipline. Alcoholism, absenteeism, systematic theft of public property, and lying as a norm of conduct assumed gigantic proportions. The illegal underground economy became a basic purveyor of services to the population.

The attraction of Soviet ideology declined steeply, both at home and abroad. Its effectiveness as a mobilizing and legitimizing force has radically diminished. Most importantly, the gap between ideological prescriptions and promises and domestic and international realities became unbridgeable and embarrassing. The Soviets have always proclaimed that the contest with capitalism would be decided in favor of the system best able to secure high productivity and speedier technological progress. According to this test, capitalism has virtually won.

In the last decade, for the first time in postwar history, the productivity and technology gap between the United States and the Soviet Union grew. The problem for the Soviets has become not to catch up to the West, but to keep from falling further behind. Two-thirds of a century after the Bolshevik Revolution and 40 years after the Second World War, Soviet propagandists have no evidence to support their thesis that the communist system is superior to the capitalist system.

In the cultural field the process of atrophy accelerated. Outstanding figures like the poet Brodsky, the writers Solzhenitsyn and Nekrasov, the musician Rostropovich, the dancers Nureyev and Baryshnikov, the theater director Liubimov all work abroad. At home neoclassicism maintains its deadly grip on ballet and theater. Pretentious stories with "social messages" dominate film and television. Technical perfection of Soviet musicians goes hand-in-hand with traditional interpretations and a paucity of interesting new compositions. If a new note of cultural pessimism has penetrated the arts, it makes little headway against the stale prescriptions of "socialist realism."

The domestic crisis is compounded by the uneasy situation in the Soviet East European empire, by the relative weakness of the Soviet international position, and by the specter of an intensified arms race. If Russian nationalism acts as a source of stability in the Soviet Union, for the illegitimate regimes of Eastern Europe nationalist feelings are directed against native communist elites and their Soviet patron. The social and political stability of these regimes, aside from Soviet military power, is predicated on economic performance. Yet the Soviet Union

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offers its satellites nothing to remedy their declining growth, the stagnation or fall of their standard of living, their technological backwardness. Hope for economic improvement in Eastern Europe depends entirely on greater economic and political cooperation with capitalist industrialized democracies. Without economic improvement the stability of the Soviet empire is in jeopardy.

The international position of the Soviet Union is conspicuously weaker than during the decade of expansion in the 1970s. To use the Soviets' own measure, the correlation of world forces has shifted demonstrably in America's favor. Evidence includes the resumption of American international activism, the trend in the military balance, the explosion of the technological revolution in capitalist democracies, the prospects for far-reaching modernization in the People's Republic of China, and the growth of opposition to and struggle against Soviet-supported regimes in the Third World.

The arms race further menaces Soviet stability in the 1980s. The American deployment of intermediate-range missiles in Europe redressed the imbalance of theater nuclear forces there. The Strategic Arms Limitation Talks (SALT) process of the 1970s has virtually lost its constituency in the West. The Soviet leadership faces a protracted competition with the United States in both defensive and offensive weapons, as technological advances and the development of exotic weaponry make extremely difficult a comprehensive and verifiable strategic arms agreement. The cost of this competition, relative to military expenditures of the 1970s, will be significantly higher.

Under Leonid Brezhnev the very existence of this general crisis, let alone its extent and depth, was not publicly acknowledged. Gorbachev, by contrast, speaks of his "titanic task."

III

Gorbachev's present criticism of Soviet economic performance recalls the fundamental intraparty debate of the 1920s concerning the choice of developmental roads. The discussions in the Soviet press among lesser party leaders and professionals are no less forthright and penetrating in their identification of the country's ills; they differ little from Western economic analysis of the last decade. What strikes the foreign observer, however, is the failure to explore seriously and profoundly the most important systemic sources of Soviet difficulties.

The shallow, even trivial, explanations of the leaders and

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elites lead to the inescapable conclusion that they find no fault with the nature of the system. They do not ask whether the system is wrong, but rather what unacceptable results it has produced. In the final analysis they attribute their predicament to the failure of leadership. Since the early 1970s, they argue, the system has required urgent adjustments in forms of planning, in direction of socioeconomic policies, and in managerial style on all levels, but the management of the economy was permitted to proceed on the old conservative path; relatively easy-to-correct malfunctions were thus allowed to reach dangerous proportions.

If one takes their diagnosis at face value, the new leaders basically believe that the Soviet system is a superior form of sociopolitical and economic organization that has failed to realize its true potential because of top leaders who grew self-satisfied and conservative in office, bureaucrats who were not properly supervised, middle- and low-level managers who learned how to take advantage of the system for personal gain and lost their sense of responsibility to the state, and working people who, without pressure and good example from their superiors, adopted the old Russian attitudes of "The hell with everything," "It's all the same to me," and "I don't want to get involved."

The old elite were realistic planners who identified many of the system's operational shortcomings and strove to improve its functioning but remained convinced that it was workable and appropriate for the Soviet Union. The new and younger leaders, it is clear, are very impatient with the deficiencies of the system, but in general they too appear to feel that its potential has not been exhausted. Like successors in any country, they believe that the system is not well run and that they will be able to do much better than their predecessors. Such an analysis of the causes of the difficulties obviously dictates the scope of remedial actions, and, as one may expect, its relative narrowness.

There are three major types of reform in the Soviet Union: policy reforms, organizational-administrative reforms, and structural-institutional reforms. The first is directed at changing long-standing policies; its major instrument is the redistribution of resources. The second is directed at changing and streamlining the decision-making process; its major instrument is reorganization of the existing administrative units. The third is directed at changing the existing basic political-economic

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structures; its major instruments are fundamental reorientation of priorities and major shifts in the power of existing institutions. Only the third type of reform can be called radical or fundamental. It is this reform, or rather group of reforms, that crosses the parameters of the Soviet economic system.

The parameters of the system can be defined in various ways. They will always include the following three elements: direct planning, where microeconomic units receive their economic directions from above; the ratchet principle, the essence of which is planning next year's production on the basis of last year's production; and the passive nature of money, prices and credit, which do not reflect actual costs or the pressures of supply and demand.

A principal characteristic of the Soviet system—and of other communist systems—is the primacy of politics over economics. This primacy can be expressed in a set of four interlocking propositions. First, economic growth is of crucial importance to the leadership and cannot be left to the managers who directly administer the Soviet economy. Second, economic priorities are set in accordance with the political priorities of the leadership and elite. Third, the administration of the economy and the implementation of economic plans is designed in a way that will not impinge on the political power of the leadership and the elite. Fourth, while economic growth and its attainment are a central preoccupation of the leadership and elite, economic factors and considerations in themselves do not determine the formulation of these goals and the methods by which they are to be attained.

Thus, radical *economic* reforms, in the normal sense of the term "reforms," are impossible in the Soviet Union. What is possible are radical *political* reforms that have fundamental economic consequences.

We are speaking about a thorough overhaul of a *political* economic system that has been in existence for over half a century. To undertake radical reform, and the radical means required to accomplish it, involves the conscious process of decision-making. One does not somehow arrive at a new economic reality with small evolutionary steps or without upheaval. And that very important dimension of decision-making, the setting of the agenda, is profoundly affected by ideology, the most vital function of which is not to dictate specific behavior but rather to proscribe behavior, to define what should *not* appear on the agenda.

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Radical reform, moreover, requires a basic change in the work habits of the leadership, elites and sub-elites; it would have a significant impact on other spheres of Soviet life. One does not embark on such a serious undertaking unless one is convinced that the existing system has exhausted its potential. The old leadership never reached this conclusion, and there is no compelling evidence that its successors have done so either. There is no evidence whatsoever that the new leadership's attitude toward the classical, that is, Stalinist, economic system and the post-Stalinist political system contains criticism of its basic foundations. Indeed, Gorbachev and his lieutenants are quite optimistic that the economic system can in fact be made to work well and that the political system is basically sound. Their central proposition is, of course, that what the system needs is better leadership and more effective policies.

The guarded optimism of the leaders is also reinforced by a calculation of favorable economic prospects beyond the 1980s with regard to demographic trends and Siberian development. Major increments to the labor force are forecast for the 1990s which will probably reverse the trend of serious decline in recent years; the Politburo may well decide that the large-scale exploitation of Siberia's natural riches can be accomplished with the means at hand. Such considerations could only reduce the magnitude of economic changes that the leaders would be willing to introduce in the 1980s.

The speeches and writings of Soviet leaders, the terms they use in their resolutions, the discussions in the press, the appointments of experts—all point to an approach that for the foreseeable future excludes radical reform. Indeed, unlike Western analysts, the Soviets avoid the very word "reform"; they use the phrase "improving the economic mechanism." That only limited change in the economic system is presently being considered may be confirmed in two recently published articles outlining Gorbachev's economic policy for the near term by a leading economic adviser, the respected and innovative academician Abel Aganbegyan, who now chairs the Commission for the Study of Productive Forces under the Presidium of the U.S.S.R. Academy of Sciences in Moscow. Foreign Minister Eduard Shevardnadze, while still the party boss of Georgia, also explicitly confirmed this approach in his comment: "The improvement in our economic mechanism will take place on the basis of the already existing mechanism."

Gorbachev's attitude toward radical reform can also be eval-

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uated on the basis of a major speech delivered late in the summer of 1985 to the secretaries for economic affairs of the central committees of the East European communist parties. (This unpublished speech was reported by absolutely reliable East European sources.) The most revealing themes were his attack on reforms that are directed at creating market socialism, his defense of centralization of economic control, and his negative evaluations of the Yugoslav model of socialism and the Chinese economic revolution.

Gorbachev warned against the false glitter of market-oriented reforms. After acknowledging the difficult situation of the East European economies, he remarked: "Many of you see the solution to your problems in resorting to market mechanisms in place of direct planning. Some of you look at the market as a lifesaver for your economies. But, comrades, you should not think about lifesavers but about the ship, and the ship is socialism."

He deplored the tendency to consider economic centralization as the source of the failure of communist economies to achieve continuous growth and technological progress; he argued that centralization was not only necessary but in all probability would even have to be strengthened. With regard to investments, he asserted that the mistake of past leaders was not overcentralization but insufficient centralized control that left enormous capital expenditures frozen in unfinished construction, and thereby useless. Centralization, he further argued, was absolutely necessary in pricing policies to assure the supply of basic consumer items, an important foundation of social stability.

Moreover, centralization in the state's allocation of resources, he stated, was indispensable in pursuing the correct policy toward minorities in a multiethnic state. The distribution of resources based entirely on economically profitable criteria would favor the most developed ethnic regions and would inevitably foster ethnic discord.

Finally, centralized administration and control was necessary in foreign trade, particularly in the acquisition and disposition of advanced foreign technology. In a situation where the hard-currency resources of socialist states are severely limited, decisions regarding what to buy and how to distribute it must be highly centralized.

In this same speech, Gorbachev commented extensively on what he called the negative examples of Yugoslavia and China.

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He described the market socialism of Yugoslavia as a failing experiment on several counts: its generation of immense inflationary pressures; its dependence in areas of foreign trade, export of labor, and payment balance on the cyclical changes of the capitalist world market; its contribution to the ethnic strife that resulted when the federal government relinquished a centralized policy to upgrade backward regions and let the market decide the ratios of development in the ethnic administrative units.

With regard to China, Gorbachev's approach reveals much about his attitude toward Soviet development. Contemporary China, he said, serves to warn us about the dangers of two policy tendencies. The first is exemplified in current Chinese policies that are non-socialist: spontaneity dictates the course of economic development; it jeopardizes the survival of the Chinese socialist economy as well as the very political system. The second danger concerns policies of the Mao period that neglected economic factors and stressed economic autarky and deliberate international isolation. The thrust of Gorbachev's assessment was very clear. The fanaticism and leftist exaggerations of the Mao period had led to the rightist exaggerations and orientation in post-Mao policies. Gorbachev's position on China was simultaneously a warning against Stalinist inflexibility and anti-socialist deviation.

In the final element of decision-making, the selection among options placed on the agenda, one can plausibly, and in the case of Gorbachev certainly, expect a broad innovative approach. Which options are accepted as the party's general line could make a major difference, but they will not include, for the time being at least, radical transformation of the system.

IV

The number of reform measures affecting policy and organization that Gorbachev has initiated, intensified or targeted for the near future is significant. He has begun, not surprisingly, like his mentor Andropov, by declaring an open season against workers who do not come to work, managers who falsify reports, storekeepers who steal, officials who are incompetent or corrupt. In contrast to the ouster of officials under Andropov and Chernenko, many of those dismissed by Gorbachev are not honorably retired but fired for publicly announced reasons like "corruption," "irresponsibility" and "in-

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competence." The most visible object of Gorbachev's public wrath has been alcoholism.

The draconic sobriety campaign has closed many liquor stores, confined sales of alcohol to the hours of 2 to 7 p.m., raised the price drastically, and decreed stiff punishments for drunkenness, especially at work. Even pharmacies have been enjoined from selling alcohol-based medicines before two o'clock, while eau de cologne has disappeared from store shelves and deaths from alcohol poisoning have risen. The establishment itself enjoys no immunity, for vodka no longer flows at official banquets and parties. It would be miraculous were the campaign to have a lasting impact on a society addicted to intemperate drinking and disinterested in hard work. To change these ubiquitous habits would require a combination of social policies—greater incentives to work, greater availability of consumer goods, better housing and better facilities for leisure time.

Given Gorbachev's assessment that problems in the socio-economic structure have stemmed from the absence of a strong *khoziain,* or boss, and vigorous talented elites, the major priority within the party-state establishment is no surprise. The replacement of personnel from top to bottom, together with a concerted campaign to restore social discipline, is well under way. Of course Gorbachev's basic need to consolidate his political power through loyal support of his own appointees dictates the purge of the "old guard" on all levels. At the same time, these new appointees are central to his plans to restore health and dynamism to the society and economy. The job of replacing old cadres, incompetents and shirkers is proceeding rapidly and will probably be quite successful. It signifies, however, only the first essential part of Gorbachev's attempt to improve the quality of administrative-managerial activity, just as does the long-range campaign, waged from the center to the lowest levels, to improve social discipline through coercion, material incentives and appeals to patriotic duty.

The more difficult part of personnel reform will be to educate the newcomers to be more truthful, more responsible, more flexible, and to display more initiative than their predecessors. One can easily predict that neither persuasion nor coercion alone will achieve the results sought by the new leadership. Younger deputies, more energetic and eager to please, can of course replace the "old guard"; but their experience, socialization and instincts are also geared to the old

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type of management. Successful reeducation also requires an altered economic environment in which the new managers will function. Newcomers, who are on the whole better educated, better motivated, and more ambitious, will nevertheless be forced by an unchanged system to replicate the characteristics of their predecessors. Moreover, while prodding from above may push the new administrator, manager and party official to change their style of leadership, deeply ingrained instincts will urge them in the direction of old habits.

The considerable number of policy and organizational measures undertaken or contemplated by the new leadership can be organized into seven categories: wholesale change in managerial and administrative personnel and their reeducation; increase in labor discipline; diminution of the number of indicators in central planning and greater stress on quality and costs; technological progress; agricultural improvement; development of infrastructure; education; and effective utilization of the Soviet strong point, centralized mobilization of resources for essential goals.

Several aspects of Gorbachev's measures should be noted. First, while new technology and the growth of productivity are undoubtedly key factors in Gorbachev's plans, his programs pay central attention to supply of food, consumer goods, and the standard of living generally. These items are in the forefront of his Fifteen-Year Plan of economic development, which will be presented to the upcoming 27th Party Congress. It is clear that the new leadership considers improvements in the consumer economy as the basis of social stability in the Soviet Union, as the means to slacken strong inflationary pressures, and as a key step to render more effective material incentives in the nonagricultural sector, the increase of which is an indispensable condition of improving labor productivity.

Second, reformist measures, particularly personnel changes and cuts in the size of supervisory economic cadres, are creating healthy tensions within the bureaucracy. Administrators on all levels and in all areas are exhibiting greater anxiety and industry, more caution in their illegal shenanigans, and considerable eagerness to produce better results. How long this will last without the introduction of bigger changes is, of course, impossible to predict.

Third, and most important, Gorbachev's reforming activities, separately and in sum, do not add up to a course of radical reform. Nor do the plans announced for the upcoming Party

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Congress convey the promise of such reform. A comprehensive model for radical reform does not exist. The situation in the Soviet Union rather resembles French society during the revolutionary years 1848–1851. The picture is one, to quote Karl Marx, "of the most motley mixture of crying contradictions, . . . [of] a more confused mixture of high-flown phrases and actual uncertainty and clumsiness, of more enthusiastic striving for innovation and more deeply-rooted domination of the old regime, of a more apparent harmony of the whole society, and more profound estrangement of its elements."

The character of announced policies and organizational changes clearly speaks to Gorbachev's confidence that a dynamic leadership working to tap the unused potential of the existing system can produce rapid and significant results without resorting to structural change. So also does recently published evidence on specific goals of economic plans in the near and long term. These goals betray a stunning optimism concerning the expected yield of limited reforms. The plan for 1986, for example, projects the highly unrealistic target of an eight-percent growth in investments. The Fifteen-Year Plan prepared for the Party Congress projects an increase of 250 percent in productivity and a doubling of national income. The goals for growth in agriculture and the size of investment necessary to achieve them will prove costly and unattainable; in essence the leadership is relying to a large extent on methods of development that gave poor results in the 1970s. A review of economic plans leads to the inescapable conclusion that to reach many goals will be virtually impossible and to raise expectations of rapid improvements will carry high risks. The limits of moderate reform are bound to become readily apparent.

Experience shows that the frequent policy and organizational reforms in the post-Stalin period did not produce cumulative change. Rather than leading to changes in the system itself, these kinds of reform produce results that gradually fade and in time are simply absorbed into existing structures. They are like drugs administered to a body that has already developed a tolerance for them; only a radically increased dose will produce results. This helps to explain why, despite the sheer numbers of such reforms constantly introduced over the last three decades, the economic system remains essentially unchanged. Like elections, which occur more often in the Soviet Union than in any other country and yet do not result in democracy,

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these frequent reforms do not alter the economic "command system."

We are now only at the beginning of Gorbachev's rule. Stalin took power when he was less than 50 years old; Khrushchev became first secretary at the age of 59; Brezhnev was 58. Gorbachev was 54. All his predecessors left a major mark on the Soviet system. Their initial steps, however, were not always accurate signposts of their later direction or of the far-reaching change they would accomplish. Gorbachev could well have at least as much time as his predecessors to shape the Soviet system in accordance with his vision. As in the past, very much depends on the extent of the power he wields and on the nature of his leadership and that of his closest associates.

V

The consolidation of Gorbachev's power, while still far from complete, has been very swift by any standard—a tribute to his intelligence, caution and political astuteness. Other circumstances, however, also play an important part.

First, his road to supreme power started well before Chernenko's death. The support of both Mikhail Suslov and Yuri Andropov brought him to Moscow in November 1978 and to full membership in the Politburo in 1980. When in March 1982 Andropov relinquished his KGB chairmanship and replaced the deceased Suslov as a secretary of the Central Committee and then advanced to the post of general secretary in November 1982, Gorbachev was singled out as Andropov's closest collaborator and, in time, his heir apparent.

Andropov bequeathed to Gorbachev the power base he had shaped through personnel changes in leading institutions. Gorbachev broadened this base and enhanced his power position by the skillful tactic of allying with Chernenko. When Chernenko became mortally ill, Gorbachev was strategically placed as leader of the Party Secretariat and Politburo. Gorbachev's rapid consolidation of power after Chernenko's death in March 1985 can also be explained by the overwhelming mood of urgency generated during the decision-making paralysis of Brezhnev's last years and intensified during the two abortive successions. Gorbachev benefited from the frustration, embarrassment and even rage of party and elite opinion, as a tired leadership vacillated before domestic difficulty and international challenge.

Decisive new leadership appointments in 1985 have ce-

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mented Gorbachev's political position on the eve of the Party Congress. His inner core of associates includes Yegor Ligachev, Nikolai Ryzhkov and Vitali Vorotnikov. Having expelled his rival Grigoriy Romanov, he has a clear majority in the Politburo. He dominates the Party Secretariat and controls the Presidium of the Council of Ministers through his right-hand man Ryzhkov as prime minister and his loyalists Nikolai Talyzin and Geidar Aliyev as first deputy prime ministers. He decides foreign policy thanks to Andrei Gromyko's replacement by the young Georgian party boss Shevardnadze. His position with regard to the military also appears strong. The minister of defense, 74-year-old Marshal Sergei Sokolov, will soon depart; his second-in-command, Marshal Sergei Akhromeyev, has limited authority and standing with political leaders. For the first time since Stalin's death the military has no representation in the full membership of the Politburo.

All in all, Gorbachev approaches the Party Congress with the certainty that his actions and position will be confirmed and legitimized. Moreover, the steady turnover of high officials in the center and provinces makes highly probable the biggest percentage change in the composition of the new Central Committee during the post-Stalin period.

Gorbachev's impressive political strength will be used to fuel reform activities that seek to improve the economic mechanism by means of policy and organizational changes. His announced actions and plans contain no commitment or even preference regarding structural reforms. But how to interpret the significance of these actions and plans? Might it not be too early to rule out movement in the direction of fundamental reforms in the foreseeable future?

The first, and simplest, possibility accepts available evidence at face value. Gorbachev, while a reformer, remains persuaded of the system's unfulfilled potential and does not regard radical reform as essential. He will introduce many policy and organizational reforms, streamline the system, strengthen discipline, fight corruption, and improve performance. He will not become a proponent of "market socialism."

A second possibility concedes that Gorbachev and his comrades believe they can improve the system without radical reforms but expects experience to convince them by the late 1980s or early 1990s that only radical reforms can reverse Soviet decline. At that point Gorbachev, already well consoli-

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dated in power, will attempt to build a coalition capable of achieving a radical transformation.

A third possibility assumes that Gorbachev aims to undertake radical reform. An oligarchic leadership, however, is ill suited for initiating and executing major reforms of structures, procedures, or even policies. Singular determination and unrelenting pressure from a very powerful leader are required for even moderate success, given the strong and widespread opposition to fundamental change at all levels. Until Gorbachev achieves such power, he cannot openly advocate radical reform. Should he succeed in achieving such power, he and his associates could well continue on the road of partial reforms, for by then they would be caught up in the daily operations of the system and committed to the vested interests of their constituencies.

To judge which possibility best reflects or predicts Soviet realities goes well beyond knowledge conveyed by primary sources. The first option is probably most accurate, but intuition and study of the system suggest that the third is likely as well.

VI

The less we know about Gorbachev's long-range plans, the more useful it becomes to contrast the nature of his leadership with that of his two principal predecessors in the post-Stalin period. Khrushchev's leadership was populist and ideological. He believed in people, appealed to them, and undertook a campaign of ideological revitalization. Brezhnev's leadership was corporatist and conservative. He maintained the institutional representation of all major bureaucratic hierarchies in the top leadership bodies and attempted to rule by compromise and consensus, by reconciling divergent institutional interests. Unlike Khrushchev, Brezhnev was conservative in his personnel policies; he perpetuated the rule of the "old guard" and remained committed to preserving the system in its traditional mold.

Gorbachev's leadership appears to be managerial and reformist. It is managerial in the sense that it enforces strict vertical lines of authority rather than engaging in institutional bargaining and compromise. Gorbachev and his associates appear determined to restore discipline and encourage innovation despite the hostility of entrenched interests among party apparatchiks, economic managers, foreign policy functionaries

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and the armed forces. Their objective is not consensus, the lowest common denominator of diverse institutional interests, but conformity with their own reformist direction. Their style is that of chief executives who supervise, control and determine for their subordinates the line of action.

Gorbachev's leadership is reformist in the sense that it pursues a far-reaching personnel turnover that in fact constitutes a generational change in the elite. It reexamines and alters inherited policies and organizations. It devotes accelerating effort to improving central planning and to concentrating on the crucial issues of technological progress and material incentives in the service of the faster growth of labor productivity.

Reformism in the case of the new Soviet leaders has nothing in common with liberalism, a connection too often made erroneously in the West. Gorbachev's reformism stresses authoritarian rule, discipline and predictable conformist behavior. Cultural experimentation, not to speak of expanded political rights, has no place in his world. To him, "liberalism" suggests negative characteristics: irresponsibility and permissiveness on the part of leaders and managers; a lack of commitment to hard work and prevailing norms of behavior by individuals. In the past the inefficiency of the state machinery tempered the oppressiveness of society. Should Gorbachev prove successful in making the state more efficient, the extent of its oppressiveness will also increase.

The managerial and reformist leadership of Gorbachev will seek and find its most congenial allies among the so-called technocrats. The new leadership at the national, republican and provincial levels, however, is not composed entirely of individuals with a technocratic background. Indeed, Gorbachev himself and Ligachev, his right-hand man for party organization and personnel, have an education and career pattern different from those of the technocrats. Nevertheless, one has the impression that the new party apparatchiks at the top either consciously adopt a technocratic way of thinking or are at least very well disposed toward it. They see it as the proper way to tackle the economic confusion perpetuated by the old generation of narrow ideologues and conservative administrators. In this sense, technocrats are now by and large in charge of the Soviet leadership.

The quintessential technocrat offers a reforming regime technological expertise, managerial experience and acumen, and political skills. Ideally, like the new Prime Minister Nikolai

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Ryzhkov, Gorbachev's alter ego in economics, his technical education is the basis of a rise from rank-and-file worker through all stages to the ministerial and central-planning level. The technocrat knows the production line, the obstacles facing industrial managers and their subterfuges, the workings of a major industrial ministry, the intricacies of top-level planning, and the unwritten political rules of survival and influence in top-level economic administration.

The technocrat is confident of his ability to lead and has few doubts about the "correct" course of action. He is primarily a manager; successful political maneuvering is only the necessary route to greater scope for managerial activities. His formula for a better and stronger country can be reduced to four ingredients: leadership, discipline, stratification and technology.

The technocrat condemns the old leadership for failing to preserve a high degree of social discipline in society at large and among workers in particular. If he considers Stalinism anachronistic, the perhaps inevitable but unsavory extreme of the "primary accumulation of capital" and a first industrial revolution, he is no less opposed to "rotten liberalism," dissent, and permissiveness in work, culture and life—all impediments to the effective and efficient functioning of society. For him authority should be just, not liberal. He places great faith in coercive methods and material inducements to strengthen labor discipline. Pragmatic and empirical, he is preoccupied with instrumental, not normative, questions.

The technocrat believes in an authoritarian and authoritative vertical structure with a clear delineation of rights and duties. At the same time, he opposes excessively detailed supervision of managerial personnel and overly detailed prescriptive indices from planning organizations that curtail the manager's flexibility and initiative. He opposes the egalitarianism of Khrushchev and Brezhnev. He considers the present stratification of society insufficient to guarantee intense, high-quality work. He wishes to widen the material distance between various strata, with the greatest benefit at the top. Energetic, hard-working, well-qualified foremen, engineers, managers and administrators should have a higher monetary stake in success. Within every vocational and professional group sinecures should be abolished, sloppiness punished, good work rewarded.

In a society where the technological ethos is still strong, where progress is synonymous with technological advance, the

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technocrat is especially frustrated by the country's relative technological backwardness. He still believes that technological progress combined with discipline, incentives and leadership will solve the difficulties. His plan of action calls for harnessing the energy of scientists and engineers employed in institutes of theoretical and applied science and economic ministries directly to enterprises and production branches. He wants to steer central planners away from their preoccupation with quantitative indices of production to those indices that stimulate technological progress. He is determined to create conditions in which managers will enthusiastically accept new technology because of special incentives, including the stabilization of production plans for a number of years after the new technology is introduced. If the technocrat's concentration on advanced technology rings clear, less clear is how technological progress can accelerate sufficiently within the present institutional framework.

When Gorbachev opens the Party Congress in February he will join to his impressive political strength in key institutions of party and state the eager expectations of this vast talented reservoir of reformist technocrats. Gorbachev can already command the support among his close collaborators necessary to guide through the Politburo any combination of reforms designed to improve the economic mechanism through policy and organizational changes. In practice, however, his reforms could be effectively undermined after the Party Congress when resolutions adopted there meet the inertia, indifference, confusion and hostility at middle and lower levels of bureaucracy and society.

Gorbachev seems to understand this very well. He seems ready to meet these obstacles head on and to purge anyone who stands in the way of revitalizing the country. At a meeting of the Leningrad party organization on May 17, 1985, he made his position clear: "We must, of course, give all our cadres the chance to understand the requirements of the moment at this stage and to adapt themselves accordingly. But anyone who is not prepared to adapt and who, moreover, impedes the resolution of these new tasks should get out of the way. Get out of the way and don't interfere!"

Managers too, however receptive to reforms, can undermine their implementation. The success of even the most limited change depends to a considerable extent on the reforming behavior of managers across the country whose rational actions

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in an irrational economic environment have contributed to the crisis. The political-economic system separates what is rational for the individual manager from what is beneficial to the economy as a whole. Many decades of working in the system warp a manager's conception of what is economically right and wrong. In fact, it turns the average manager into a staunch supporter of the existing system in which he learned how to cope with his responsibilities and how to obtain legal and illegal rewards. Yet this manager is now the one driven by the leadership to reform. He will certainly be unable to do so without a major transformation of the economic environment in which he operates.

VII

Bureaucratic inertia and hostility constitute another formidable threat to success. Gorbachev's most difficult task will not be the acceptance of reforms in the Politburo, the Central Committee Secretariat or the Presidium of the Council of Ministers. It will be to assure their implementation by the bureaucracies. The energy exerted to push through even limited economic reforms must be greater than the energy expended by bureaucratic opposition and the forces of inertia. From a political perspective, the question of the formulation and implementation of major economic reforms will depend to a large extent on Gorbachev's talent for building and sustaining alliances.

Gorbachev's alliance-building is now, and will remain for some time, based on personal associations. He benefits from the fact that those persons brought to power by Andropov and by himself may be regarded as loyalists rather than as representatives of institutional interests. The time may come, however, when this will no longer be true, and personal loyalty and the desire for change will cease to outweigh commitment to inertial bureaucratic interests.

The formidable military hierarchy poses special problems for the new leadership. Although military leaders welcome the prospect of revolutionized capabilities that economic regeneration promises, they will surely resist the close scrutiny of military priorities and expenditures it entails. For over half a century military power has been the primary objective and principal beneficiary of Soviet economic development. In that time, however, the military establishment, especially the high

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command, has not effectively shaken or seriously challenged the civilian party monopoly of policymaking.

Today the leaderships of the party-state and the military constitute two separate professional groups joined by few bonds of sentiment or debt. Gone is the fusion of interests among the political and military members of the "old guard" so prominent under Brezhnev. Gone are virtually all these old leaders, not only in the party and the military, but in the military-industrial complex as well. Gorbachev and his associates give every indication of opposing any usurpation by the military of their political prerogatives. Their assertion of firm civilian control may be deduced from a combination of circumstances affecting the military establishment—the absence of full members from the military in the Politburo; the appointments of the elderly Marshal Sokolov as a transitional minister of defense and the untried Marshal Akhromeyev as chief of the general staff to replace the outspoken Marshal Ogarkov; and signs of increased weight of civilian strategists in the Military Council, a policy initiated by Andropov. Moreover, the pattern of retirements, transfers and promotions suggests Gorbachev's wager on the gratitude of a group of young military leaders who owe their advance to him.

In the summer of 1985 Gorbachev met his senior military commanders in Minsk. He assured them of his commitment to military development, but at the same time he raised the painful questions of streamlining the military structures and evaluating the size, growth and priorities of military expenditures. According to reports, a lively discussion of these matters ensued among the military high command under the watchful eye of party and economic leaders.

In the final analysis, the single most formidable and fundamental obstacle to the success of serious reform in the Soviet Union is not political but social. It is the quality of the human resources available to the new leaders, not only bureaucrats and managers but, even more important, peasants and workers. Over half a century ago Soviet power declared war on peasant smallholders, shattered their way of life, and excised them from the larger society. The peasantry today does not constitute a proper class; it is an agglomeration of isolated groups deprived of dignity, community and spirit. Over half a century ago Soviet power inaugurated, with the Five-Year Plans, a particular structure of industrial organization and attendant work patterns that stifled the initiative of workers, undermined

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their pride in quality performance, and ultimately corroded their work ethic. The attitudes, habits and values that survived these decades among peasants and workers will drag powerfully against that significant rise in labor productivity on which reforming success is predicated. How very different is the human foundation for economic reform shaped by the Chinese revolutionary road.

Sober calculation of the full array of historical tradition, institutional force, and ingrained habit that resist the formulation, acceptance and execution of any reforming program, moderate or fundamental, weighs heavily on the new leadership and bears mightily on its decision to pursue limited policy and organizational change. If Western, especially American, analysts tacitly assume that nothing short of radical reform will improve Soviet economic performance, they have in mind the comparison of Soviet and Western labor productivity, levels of technology, and efficiency. If Soviet analysts explicitly argue that their economic performance can be significantly improved without radical reform, they have in mind the comparison of actual and potential performance within their own system.

Khrushchev and Brezhnev succeeded in improving economic performance without resorting to structural changes by partially eliminating irrationalities and tapping unused potential in the system. Gorbachev's determination to follow the same route more expeditiously, to mobilize more effectively existing reserves of growth, will be even stronger, for even stronger than at any other time in the post-Stalin period is the urgency to do so. Of course, at some time in the not-too-distant future, the leadership will certainly come up against those fundamental institutional bulwarks, both political and economic, that block the country's access to the global third industrial revolution. Whether Gorbachev possesses the will, the political talent, the consistency, the vision, the strength to proceed against them will then be tested.

What clearly strikes the student of the Soviet Union is that with any turn toward structural reforms the magnitude of the obstacles, the force of the political and economic culture, the preconditions for success will push hard in the direction of concentrating and maximizing power in the hands of one leader. To be a fundamental reformer Gorbachev will have to be ruthless and feared by his colleagues, subordinates and citizens. Gorbachev was recommended to the Central Committee for his "iron will," for the "iron teeth" behind the "affable

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smile." In the present succession the Soviet Union puts forward the very best it possesses. Should failure overtake the present team of leaders, first-rate by any standard, the crisis of effectiveness of the Soviet system may pass the point of no return.

VIII

Gorbachev's domestic reform program is at the same time his most basic foreign policy statement. He regards the significant improvement of Soviet economic performance as the indispensable foundation not only of internal order but of external power as well. Perhaps no leader since Stalin has been so persuaded of the decisive bearing that domestic strength has on the effective conduct of foreign policy. This persistent and vigorous motif in his speeches recalls Stalin's famous inventory in 1946 of specific production goals essential for achieving security from attack and for fueling the international advance of socialism. If Khrushchev often masked domestic weakness with arrogant bluff to risk foreign gain, Brezhnev, who achieved the most significant prize of all, strategic parity with the United States, allowed in his conservatism and caution the deterioration of domestic resources to a point where they ceased to support Soviet global aspirations. Gorbachev strenuously pursues domestic vitality as the condition of international success.

The centrality of domestic priorities, both the consolidation of the new leadership and the pursuit of economic reform, presently dictates the general framework of Soviet foreign policy. Its basic characteristic is retrenchment, the insulation of domestic concerns from foreign influence. The Soviet leadership will shun international crisis and confrontation. It will seek improved relations with the United States and other industrial democracies, though not at any price. What we witness is one of those intervals of respite between periods of expansionist activism that harks back to the Leninist concept of peaceful coexistence.

Within this general framework, a consideration of Soviet foreign policy can usefully begin with exclusion rather than inclusion. Soviet policy, in our opinion, will not be one of isolationism. It will not be one of foreign adventurism. It will not be one of "benign neglect" of the United States or "Europe First." It will not be one of significant dependence on Western technology and credit that increases vulnerability to Western pressure.

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A policy of isolationism, or what some call neoisolationism to distinguish it from its Stalinist form, does not and will not accompany the concentration on domestic problems. Such a policy would deny to Soviet leaders the rewards of their predecessors' hard-won achievements. The sacrifice of generations yielded a powerful state and a great empire. The toil of decades brought the singular guarantee of global power and influence—strategic parity with the United States. The confident new leaders, spared the experience of hardship that tempered the policies of their predecessors, cannot be expected to forgo their ambition to leave a stong imprint on the international order. Moreover, they see active international engagement as a necessary condition of security. However "closed" their society, they appreciate the interconnection of their internal and external situation with regard to military expenditures, foreign trade and credit, global market prices, and technology explosion. If Stalin believed the country could afford the direction of autarky and isolation, the present leadership renounces it.

A policy of "Europe First" is no less unlikely now and in the foreseeable future. Obviously Soviet efforts to preserve détente with Western Europe become more important as relations with the United States deteriorate. The primary goal of Soviet attention to Western Europe, however, is not the shattering of the Atlantic alliance, which the intermediate-range nuclear force debacle showed to be unrealistic. It is rather the goal of encouraging Europeans to pressure the United States for policies more accommodating to Soviet interests.

If the United States discovered, especially under President Carter, that it cannot sustain a policy of "benign neglect" toward the Soviet Union, the Soviet Union cannot but confront the fact that it is the United States alone which possesses the military power, the alliance system, and the firm will to oppose Soviet expansion, that it is the United States which determines the qualitative and quantitative direction of the arms race. Both parties are fated to accept the centrality of their mutual relations. Only with regard to economic matters, where adequate American exports and credits to the Soviet Union do not appear to be forthcoming, does the thesis of "Europe (and Japan) First" hold.

A policy of foreign adventure designed to divert public attention from domestic austerities is an even less attractive option, given the character of Soviet patriotism and the cost of

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such endeavors. Patriotism is more easily manipulated and mobilized on matters of defense than offense. Strong policies toward China and Eastern Europe that draw on fear and pride elicit more support among the populace than military aid to Angola or outright intervention in Afghanistan. If Soviet citizens decry the sacrifice of their children and their standard of living on foreign soil, Soviet leaders who pursue these foreign adventures will exacerbate rather than alleviate the domestic crisis as they expend precious resources. This is not to argue that Soviet leaders would not plunge into foreign adventure were the temptation irresistible, the prize splendid, and the risk tolerable. They would do so, however, on the merits of the case and not in order to relieve internal tensions.

Finally, those analysts will be disappointed who predict greater Western leverage on Soviet conduct through trade and credit policies that help satisfy the Soviets' urgent need for technological imports. To begin with, Soviet leaders carefully calculate their imports in relation to the availability of hard currency generated by the export of raw materials, the quantity of which will probably stagnate in the next few years. They will not succeed for some time in accumulating sizable hard-currency reserves through the stimulation and growth of export manufactures or through the reduction of need for agricultural imports. As for borrowing, the Soviet leadership in past decades has been reluctant to seek major investment credits from abroad and, even should it wish to, it will not in all probability succeed in obtaining them from Western Europe or Japan, not to mention the United States.

What most significantly undermines this projection of greater dependence, however, is the critical difference between the approach of Gorbachev's team and that of past Soviet and present East European practice. Gorbachev's team insists on the primacy of the native foundations of Soviet modernization, of the domestic generation and diffusion of technology. The message is clear: we will rely primarily and decisively on our own efforts to transform the country.

What will in the last analysis significantly affect the shape of Gorbachev's emerging foreign policy is the new leadership's response to three key concerns—Eastern Europe, Soviet credibility abroad, and the global role of the United States.

IX

Perhaps the principal passage from domestic to foreign policy for the Soviet Union lies through its most prominent, perhaps

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sole, foreign success and its most intractable, perhaps dangerous, foreign vulnerability—Eastern Europe. Uppermost among concerns of the new leaders is the inescapable interconnection between East European internal developments and Soviet imperial policy on the one hand, and Western policies and prospects for affecting stability in this area on the other. Indeed, Eastern Europe could well provide the principal avenue for Western influence on the Soviet power system. Although Soviet leaders know there will be no retreat from the domination of Eastern Europe, they have yet to determine the objectives and sequence of specific policies, for indeed there are no clear and safe choices.

Created by foreign force, devoid of popular legitimacy, the communist governments of Eastern Europe are maintained by an internal police and an external Soviet army. Apart from the reality or threat of coercion, socioeconomic performance is the principal guarantor of the durability of native communist elites. Like the metropolitan country, however, the satellites suffer grievous economic difficulties. The entire region may be called with full justification the Greater East European Co-Stagnation Sphere. The growth of Eastern Europe's gross national product falls below that of the Soviet Union, while in the last several years the standard of living has declined in three Eastern European countries and stagnated in two others.

Soviet leaders are unable to underwrite the renovation of East European economies and are constrained by their own circumstances to cut subsidies and press for greater East European investment and integration into the Soviet economy. Eastern countries can turn only to the West and Japan for the new technology, managerial skills and investment credit they desperately require, but the Soviet Union will not tolerate a growing dependence on Western economic ties that can so quickly become political ties. To state the dilemma succinctly, Soviet policies that contribute to orthodoxy and cohesion contravene those that promote stability and viability. To date Gorbachev has chosen the hard line of orthodoxy and cohesion.

A declining standard of living, a frustrated upward mobility during a period of stagnation, an outraged response to social inequities—all feed a growing anti-Soviet nationalism and renew the probability that social instability will translate into political unrest. It goes without saying that the unreliability of this area, and particularly the key link, Poland, has already impinged seriously on fundamental aspects of Soviet strategic military planning for the European sector.

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The effectiveness and credibility of Soviet policy in the international arena, a second major concern of the new leadership, has been brought into question by a number of debilitating stalemates and embarrassing defeats suffered in recent years and months. Most striking, of course, was the Soviet inability to restore normalcy in Poland after the unprecedented year and a half when Solidarity, with the support of the Polish people, defied what could almost be called the "provisional" communist government. The irremediable breach of confidence between rulers and ruled, the irreconcilable divisions within the ruling elite, and the persistence of military instead of party rule give evidence of truce, not peace. Future historians will regard this episode as a turning point in the history of the Soviet empire, the onset of its patent decline.

The Soviet global image has been further tarnished in world public opinion first by the invasion of Afghanistan and then by the failure to win the protracted and brutal war; by defeat of a clumsy intervention in West German elections as a means of forestalling the deployment of Pershing II and cruise missiles; by stalemate of their "policy action" in Angola and withdrawal of sizable aid to black front-line states in southern Africa; and by inferiority of their weaponry as demonstrated in the skies over Lebanon.

To reverse the fact and the perception of Soviet ineffectualness in the international arena the new leaders pursue two parallel lines of policy, one concerned with fomenting strife, the other with deploring it.

In regions of South Asia and Africa, where Soviet prestige is heavily committed, they vigorously assert Soviet power. They have accelerated the war in Afghanistan while pressuring Pakistan to dam the flow of men and weapons to Afghan guerrillas. They have underscored their commitment to the survival of the Angolan government by vowing to supply the arms necessary to meet any threat from the National Union for the Total Independence of Angola (UNITA) or South Africa. They have increased their aid and settled down for the long term in Ethiopia, the only true Marxist-Leninist state of Africa. In the Middle East, where Soviet power has fewer opportunities, they display greater flexibility than their predecessors. They have made overtures to moderate Arab states like Kuwait, Saudi Arabia and Jordan with which they share a fear of Muslim fundamentalism. They continue to court Libya; they have apparently chosen Iraq in the desultory Persian Gulf war; they

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have commenced informal negotiations, if not formal relations, with Israel.

The second line of policy aims to orchestrate a many-sided and sophisticated peace offensive designed to capture the initiative on arms control, the issue that most profoundly touches the fears and hopes of countless millions around the globe. They have returned to the bargaining table in Geneva prepared to discuss any arms control issue; they are now willing to separate negotiations on European theater weapons from overall strategic issues. They have taken unprecedented initiative in proposing a radical and comprehensive arms control treaty that responds partially to American concerns by including a 50-percent cut in strategic vehicles as well as limitations on the proportion of land-based missile warheads in their entire arsenal. They have presented a number of proposals, such as the moratorium on all underground nuclear testing which taxes them little but gains applause in Europe. They have, most importantly, intensified and perfected their major campaign against the Strategic Defense Initiative, putting the United States on the defensive. Without in any way altering Soviet military policy and nuclear deployment, the new leadership has already succeeded in persuading many that its commitment to arms control is more genuine than that of the United States.

Quite apart from their limited successes in refurbishing the worn image of Soviet international stature, the new leaders well understand that the character and quality of their global role ultimately depends on the third key question that shapes emerging Soviet foreign policy—the global role of the United States. Just as the Soviet image was beginning to decline in Brezhnev's last years, so America's image was recovering from the blows of Vietnam and Watergate. Renewed international activism, dramatically increased military spending, heightened resistance to Soviet moves, especially in the Third World, and substantial support for foreign policies from the public and Congress—all contributed to an image of the virtual invincibility of American power.

To undermine and destroy that image is a major goal of Soviet foreign policy. One key means in that effort we have already discussed—initiatives on arms control that force the United States onto the defensive. Equally important is the probing of America's weaknesses abroad, the zealous attention to those regional trouble spots that could subvert America's capacities as a global force. The Philippines, Pakistan and

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Central America come immediately to mind. Less noticed perhaps is the special attention the Soviets give to Mexico, Egypt and South Korea. In all cases the actual and potential disorders are rooted in local or regional issues. In all cases the Soviets can harvest benefits without high profile, inordinate expense or great risk.

But the advantages that may accrue to the Soviet Union from initiatives on arms control issues or support of regional conflicts that erode America's strength and credibility are relatively minor compared to those promised by another, even more desirable eventuality: the renewal of détente. However modified from its 1970s form, détente would weaken the awesome and relentless shadow of American power over Soviet destiny and, more modestly, would relieve American pressure on the energies and resources of a reforming leadership faced with crisis at home. To this end the new leadership is seriously studying the domestic configuration of American political forces as they bear on foreign policy. It asks two connected questions. What is the character and strength of American conservatism generally and Reaganism particularly? Is there a constituency now or later for a renewal of détente? Their evaluation has yet to yield firm, commonly held conclusions.

Soviet analysts no longer undervalue the strength of conservatism and anti-Soviet sentiment in the United States as they did in the 1970s. Indeed they see it transcending Republican Party lines and surviving President Reagan's term in office regardless of his successor's party. Becoming more astute in their analysis, they have begun to distinguish types of American conservatism. They now contrast the ideological conservatism propounded by Senator Jesse Helms or Assistant Secretary of Defense Richard Perle with the pragmatic conservatism of Secretary of State George Shultz, Paul Nitze or Senator Robert Dole. They debate the possible evolution of President Reagan from the first to the second type. They are beginning to discover the pragmatic conservatism of the Republican Senate majority.

Thus for them the principal question is not simply the durability of conservative views in government and society but which type of conservatism will prevail. Ideological conservatives shun negotiations with the Soviet Union; they aim to break their adversary. Pragmatic conservatives seek negotiations with the Soviet Union; they aim to moderate their adversary's conduct. While in the final analysis both are considered

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enemies, pragmatic conservatives can be partners in negotiations. Soviet leaders must base their strategy in the intermediate range on a judgment whether American politics and public opinion are swinging away from ideological to pragmatic conservatism. They are at present hopeful but uncertain.

Some Soviet experts do not exclude an even more dramatic swing of American political and public opinion away from conservatism and anti-Soviet sentiment in the direction of renewed détente. The sources for such a swing are there, they believe, in the fear of nuclear war, the danger of superpower confrontation, the fatigue over global conflict, the very high opportunity costs of an unending and escalating arms race. These could magnify with a serious economic downturn, a rekindling of inflation, an international financial crisis, or a dangerous international incident that aggravates the menace in a world bristling with arms. The Soviets do not preclude that all or some of these conditions could catalyze an irresistible public pressure for comprehensive agreements with the Soviet Union.

Although Soviet leaders now appreciate how prone American populist democracy is to swings in mood and inconsistencies in policy, they are not acting as if they expect an immediate turn away from conservatism, though they do not rule it out. Most discouraging to them at present is the strength of conservative feelings among American young people and the inability of the Democratic Party to regroup, choose a convincing leader, and conceive a viable alternative to Reaganism. In the long run they seem to believe that time may be on their side in political relations with the United States.

Whether investigating the possibility of a new détente or explaining the collapse of the old, Soviet analysts have been blind to the impact of Soviet conduct on outcomes. In this, as in other decisive issues affecting superpower relations, they have concentrated entirely on the domestic and historical determinants of their adversary's policies and ignored the effects of their own actions on shaping these policies.

Gorbachev's predecessors self-righteously blamed the United States for dooming détente. The new leaders, given the current tense situation, admit only privately some "contribution" to the demise of détente but show no sign of appreciating the full extent of Soviet responsibility. It is important to remember that the new leaders took no part in formulating the critical decisions on foreign and security policy during the Brezhnev

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years. Their trenchant criticism of these policies permits a blurring of fiercely argued lines of self-justification, not only on the issue of détente but on Afghanistan and SALT II as well. Nevertheless, the Soviet leadership still accounts for American foreign and security policies primarily on the basis of an internal momentum on which Soviet conduct has no decisive influence. Until the policymakers of both sides take into account the significant effects that their own decisions have on the policies of the other, they will fail to analyze rationally or manage satisfactorily the complex issues that divide them.

On the eve of the Party Congress, one can summarize the principal elements of Gorbachev's approach to foreign affairs. He stresses the fundamental importance of improved economic performance for the conduct of a successful foreign and security policy. He attaches top priority to supporting orthodoxy and the cohesiveness of the East European empire. He aims to restore Soviet credibility and its superpower image. He expects to profit from disorders in regions strategically important to the United States. He works to compromise America's image, particularly in the Atlantic alliance, by exposing alleged intransigence on arms control issues. He resolves to wait patiently for changes in the American domestic environment that might lead to more accommodating foreign and security policies. He is determined not to overextend limited Soviet foreign policy resources again and will refrain from precipitous intervention in the Third World. He is not reconciled to the idea that détente with the United States cannot be resurrected sooner or later. He wishes most of all to avoid potentially dangerous confrontations that divert energies and resources from his program of domestic revitalization.

X

Gorbachev's entrance into the global arena coincides with one of the cardinal turning points in the postwar history of strategic development. The formulation of Soviet foreign and security policy in this period will require formidable skills from a new leader for whom the process is as much one of learning as of decision-making.

Gorbachev's efforts to grasp, assimilate and respond to the critical foreign and security issues of the late 1980s are and will be channeled through the doctrinally prescribed analysis of the correlation of world forces. The application of this fundamental concept in Soviet political thinking requires the

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evaluation in both static and dynamic aspects of the multiple elements that bear ultimately on the relative strength of the two superpowers. Included in this complex calculation are variables as diverse as the geopolitical situation, economic and technological performance, the military balance, projected global image, costs and contributions of alliances, and psychological and ideological sources of social instability worldwide. Soviet leaders, with the assistance of specialists in political-academic research institutes, are currently rethinking the experience and assumptions underlying the foreign and security policies of their predecessors in the 1970s. Their ongoing reinterpretation, particularly of the correlation of forces, provides the context for those specific actions and general tendencies in Soviet foreign and security policy that we set forth in the previous section.

The prevailing Soviet assessment of the correlation of forces during the 1970s can be reduced to two sets of propositions. The first set derives from the signal achievement of Soviet policy, strategic parity with the United States. Strategic parity was seen to guarantee superpower equality politically as well as militarily. Soviet leaders and analysts ceaselessly reiterated the Soviet claim to their legitimate right as America's "equal" to assert global power and to take part in managing all major international problems. "There is no international issue of any importance that can be resolved without participation of the Soviet Union," declared Gromyko in the mid-1970s.

Strategic parity, moreover, enabled the Soviet Union to join the United States and its allies in a détente that was regarded not simply as a means to reduce the danger of confrontation but as a means to prepare the "breakout" of Soviet power and influence across the globe and especially in the Third World. Under the umbrella of strategic parity and détente the Soviet Union would use its vast conventional forces as a massive wedge to expand influence and power in the Third World.

Attainment of strategic parity, moreover, served as the most brilliant illustration of the correctness of the principal thesis underlying the second set of propositions on the correlation of forces. Soviet leaders and analysts forecast the long-term historical trend of American decline and Soviet ascendancy that would reward with success the Soviet quest for international dominance. They amassed evidence, especially in the early 1970s, to contrast strong Soviet economic growth and optimistic economic projections with the stagnation and expected

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decline of the still formidable American economic performance. They juxtaposed, as well, the assertiveness and ambition of Soviet leaders with the evident political decline of the United States, which no longer exhibited the will to act decisively in international politics or to continue a dynamic leadership role in the Atlantic alliance.

The outstanding conclusion drawn from the continuing reappraisal of the 1970s concerns the second set of propositions. Soviet leaders recognize that the earlier analysis vastly overestimated the economic and political conditions of Soviet ascendancy and grossly exaggerated the economic and political conditions of American decline. They may still believe that long-term historical trends favor the Soviet Union, but they now confront the opposite.

Painfully aware of how their own economic and political drive has slowed in recent years, they witness the impressive reinvigoration of the economic and political sources of America's global power. They are convinced that the industrial democracies, especially the United States and Japan, have entered a major cycle of growth and modernization despite serious internal and external monetary and fiscal problems. They watch as for the first time in Soviet postwar history an already broad gulf continues to widen between the Soviet Union and its empire and the United States and the capitalist world as a whole. Four key comparative measures will suffice: the relative size of the GNP and all its major components (agriculture, manufacturing, construction and services); the absolute size of the gap in these GNP elements, which has doubled since 1958; labor productivity in agriculture, manufacturing, construction and especially services; and the modernity and technologically advanced nature of the product mix in manufacturing. To compound the dilemma, while previous Soviet leaders succeeded in the first industrial breakthrough and advanced partway through the second revolution in mass consumption of durables, they ignored or underestimated the preparations and implications of the third industrial revolution in information, communications and services.

The rapidity and intensity with which the United States has reasserted its global power tended to catch Soviet leaders by surprise. Initially slow in accepting the significance of the Vietnam and Watergate experiences on American capacity to sustain its international role, Soviet leaders took advantage of American weakness to accelerate a military buildup and to

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apply force in the Third World. Their actions, in the final analysis, speeded up the reversal of America's decline, a process they again were slow to appreciate.

The healing of domestic divisions, the leaders' resolve and the public's support for activist policies taught the Soviet leadership an important lesson: never underestimate the United States. Always concentrate on long-range trends and potential. This lesson will not be lost on even such a self-assured, confident and secure leader as Gorbachev.

The reassertion of America's power also affects Soviet evaluations of the Atlantic alliance. Soviet leaders, more realistic since the INF debacle, no longer consider possible the disintegration of a relationship with such profound geopolitical, historical, ideological and strategic roots. If the most advantageous situation for the Soviet Union calls for a disunited Western Europe deprived of a strong Atlantic alliance, the most disadvantageous specter is a united Europe as a "third force" joined to the United States. A united Europe would not only intensify the military threat to the Soviet Union. It would also magnify the political threat to the East European empire, where the popular slogan "One Europe" reinforces the irresistible economic, political and cultural pull of the West on the East, forecloses the desired economic and political integration of the Soviet empire, and underscores the separate identities of East European countries and their Soviet overlord.

In calculating the changing correlation of forces in the 1980s, Soviet leaders continue to regard Europe as the central theater of superpower contention. Yet sufficient evidence suggests that they are receptive to the idea that the center of gravity with regard to superpower economic, political and security concerns is shifting from Europe to the Far East. The accelerating process of Siberian economic development, the construction of the Baikal-Amur Mainline Railroad, the upgrading of Soviet nuclear bases in the Sea of Okhotsk, the priority buildup of the Soviet Pacific fleet, the attention to continuing American naval and air superiority in the region—all work toward significantly increasing the relative weight of the Far Eastern theater. The emergence of Japan as a major political as well as economic power, the modernization of China, and the dynamism of newly industrializing Asian countries are also fundamental to understanding the new strategic importance of the Far East and West Pacific.

Soviet attitudes and policies toward the Far Eastern theater

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are conspicuously colored by their apprehension concerning the three major powers in the area—the United States, Japan and China, which compose what they regard as the new hostile encirclement of the Soviet Union in Asia. Soviet leaders have become attentive to Japan's efforts in the last several years to safeguard its great economic power by enlarging its international political role and to strengthen its alliance with the United States while striving for greater independence from that relationship. A measure of the new seriousness in Soviet-Japanese relations is the exchange of high-level visits: Foreign Minister Shevardnadze visited Japan in January 1986, and Prime Minister Yasuhiro Nakasone will probably visit the Soviet Union later in the year.

Soviet policy toward Japan is perforce low-key, long-range, and, in light of Japanese commitments, needs and political potential, quite realistic. Territorial disputes preclude the signing of a peace treaty. Japanese dependence on both the American security link and market presently discourage major Japanese investments in Siberian economic development and confine immediate prospects for agreement to marginal improvements in trade and scientific exchanges. If Soviet leaders are worried by the global economic and technological leadership of Japan, by the growth of its political influence and regional military force (the latter much overestimated in the Soviet Union), by its contribution to China's modernization, and by its crucial role in American global military strategy, they do not intend to express displeasure in withdrawal but rather to maintain a strong diplomatic presence that could lead to unexpected positive results.

Japan's importance in present Soviet thinking about the region is eclipsed not only by that of the United States, with its impressive military and political strength in the Far East, but by that of China, which has become a greater long-range strategic threat to the Soviet Union even as relations between the two countries have improved. The consequences of the stabilization and modernization of China that strengthen its economic and military potential and the steady progress of Chinese-American relations, especially in the military sphere, are perceived by Soviet leaders as a far greater long-term threat than was the China torn by the Cultural Revolution and brawling on their common borders.

In the short and middle range, major advances in Sino-Soviet relations are precluded. Of the three conditions set by China

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for serious progress, the Soviet leaders are powerless to meet two and will perhaps move, albeit modestly, on the third. Withdrawal from Afghanistan is difficult because of the connection to Soviet superpower credibility. Withdrawal of Vietnamese troops from Cambodia is difficult because the Soviets cannot control Vietnam as they do the countries of Eastern Europe. Withdrawal from the border area, especially in Mongolia, could perhaps be negotiated, but only in the symbolic form of removing a small number of units; it might be timed to coincide with Deng Xiaoping's succession. In the short and middle range, continued normalization of relations will be reflected primarily in improved trade, scientific exchanges and greater contacts. In this period neither party will regard the other as a danger because both are preoccupied with their respective stages of economic transformation. In the longer range, however, mutual suspicion and enmity will characterize the basic strategic relations between the two countries.

The steady movement of the economic, political and military global center of gravity to Asia, the intended development of eastern Siberia, the Chinese military modernization, the important Japanese contribution to American military strength in the Far East, and the continuing American naval and air superiority in the Pacific necessitate a very strong and sustained Soviet military presence in the area. Of fundamental importance is the impact of Pacific concerns on Soviet strategic thinking. A Soviet military official recently alluded to a new position on the Soviet concept of global parity. Just as in the 1970s the Soviets insisted that within their concept of global parity there must also be regional parity in Europe, in the 1980s they will insist on regional parity in the Far East as well.

XI

If the second set of propositions held in the 1970s on the correlation of forces proved faulty, the first set was no less productive of frustration, disappointment and fear. Both old and new leaders saw that strategic parity had failed to deliver on the Soviet claim to global equality with the United States in political as well as military terms. Not only was it clear by the mid-1970s that the United States was unwilling to concede the right of the Soviet Union to assert its global power and to participate in consultations and negotiations on all key international problems, but faltering Soviet economic performance

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denied Soviet leaders the abundant resources needed to assert and sustain political influence abroad. While détente did for a time moderate American pressure on their energies and resources, it failed to augur the "breakout" of Soviet power, especially in the Third World. To the key question of Soviet foreign policy—how to translate military power into political influence—leaders in both the 1970s and 1980s came to conclude that the opportunities and means chosen had yielded results far short of expectations. More ominous to old and new leaders alike was evidence that even their military resources no longer sufficed to support an activist role abroad. Most ominous of all to the new leaders, however, is the threatened obliteration of the very fact of strategic parity, owing to the menace from America's ambitious Strategic Defense Initiative.

The dimming of Soviet hopes of the 1970s and early 1980s is all the more depressing to Soviet leaders in the historical context of the military drive to the pinnacle of strategic parity. From the time of Lenin, powerful stimuli forced concentration on military growth as the central priority of economic development—the ideological worldview of party leaders, foreign intervention and its persistent threat, the feared consequences of "capitalist encirclement." Historically, in their interpretation of the international situation they have assigned a decisive role to military power. "Power grows from the barrel of a gun," was Lenin's slogan; "How many divisions has the Pope?" was Stalin's question.

While the Soviet Union developed the nuclear systems which gave strategic parity, it was not reducing its already sizable conventional forces. Soviet military power benefited substantially from a methodical and thorough modernization of all conventional forces, west and east, that yielded a commanding overall lead in most categories of conventional force. Not only were Soviet leaders asking what tangible results would derive from strategic parity in the international arena. They were asking whether in the nuclear age Soviet conventional forces could be used as an active instrument of foreign policy. The single-minded preoccupation with developing military power led over time to a pronounced built-in imbalance in the character of resources available to foreign policy. Military power was, is, and will long remain the most important Soviet resource in service of international goals.

In the 1970s Soviet leaders began to appreciate the limited yield and ephemeral nature of influence derived from their

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parsimonious export of nonmilitary resources and their liberal distribution of military resources in the form of arms sales, military aid, training and advice. Their disillusionment with this indirect route deepened their frustration over the realization that the United States was unwilling to concede their "legitimate right" as superpower in the context of their understanding of détente. Taking advantage of their rival's grave weakness, they engaged in the direct application of military and security power—their own and that of their allies—to selected targets of opportunity in the Third World. Their goal was no longer influence but control.

In the long run, the military resources of the Soviet Union proved inadequate to the ambitious tasks of the 1970s and early 1980s. The Soviet Union became seriously overextended at a time when glaring deficiencies of political leadership and economic performance made obvious the need for the contraction of international commitments. Soviet leaders were brought up against the hard fact that to claim the right of international political equality with the United States and to enforce it were entirely different propositions. Their indignation, one might even say their frenzy, over the seeming injustice of America's denial of their political equality erupted in many a conversation of the 1970s and 1980s. They contrasted, for example, Soviet willingness to treat with the United States during the war in Vietnam with America's virtual refusal to treat with them after the intervention in Afghanistan.

The new leaders also ask the same questions: What tangible results can strategic parity produce and how can conventional forces actively advance the goals of foreign policy? It is far too early, however, to know how they will answer. Gorbachev clearly shares with his predecessors the deep conviction that his country has a legitimate right to political and military equality with the United States. He fully appreciates, however, that the adverse trend of the correlation of forces will impinge on Soviet ability to make good on that claim. Gorbachev clearly believes with his predecessors that military power plays a central role in the international arena. He is more realistic than Brezhnev, however, about the possibility and the desirability of its use.

Gorbachev, like his predecessors, seeks détente as a corollary of superpower equality. Given his more sober appraisal of Soviet vulnerabilities both at home and abroad, his conception of détente has a defensive ring in sharp contrast to its offensive

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ring in the 1970s. Gorbachev will not of course end Soviet direct military intervention in Afghanistan, Ethiopia and Angola because Soviet credibility is on the line. But he is also not likely to hazard new foreign adventures because he realizes that the Soviet Union is already overextended, that the risks of new military adventures will far exceed those of the 1970s, that his foreign policy resources are severely limited.

Soviet publications convey a serious loss of confidence in the effectiveness of Soviet policies in the Third World and in the expectation that the internal political dynamics in these countries will make them "natural allies" of the Soviet Union. They convey growing recognition that influence in the Third World depends significantly on economic instruments that the Soviets have in short supply.

The entire question of projecting Soviet and satellite power abroad remains an open one. It is difficult to predict whether the likely reluctance of Soviet leaders to pursue foreign temptation will signify a tactical restraint generated by the present situation or a long-range strategic decision. One should not, however, underestimate the confidence and ambition of the relatively young new leader. One can only reiterate the proposition that the international situation of the Soviet Union joins with its domestic situation to focus his attention on the more compelling affairs of country and empire. At such a juncture, genuine possibilities emerge for compromise on international issues, especially in the critical area of arms control.

The experience of the 1970s and 1980s has shown that contentious political issues between the two superpowers can be reconciled only in a marginal way. The barrier of diverse values and interests defies their enduring resolution but clearly, because of the nuclear danger, requires management. In the present situation almost the entire burden of improved relations is carried by arms control negotiations and the prospects for initiating a constructive arms reduction process.

The new Soviet leaders make manifest their genuine interest in a comprehensive agreement to reduce offensive strategic weapons. The reasons behind this interest are only secondarily dictated by domestic economic considerations. Far more significant are Soviet security concerns. These include the widening American technological preponderance, the accelerating American offensive nuclear arms program, and the tension and danger inherent in a new arms race. Even more important than fear of the known is fear of the unknown, the terrible uncer-

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tainties concealed in America's grandiose Strategic Defense Initiative. If Soviet leaders question the feasibility of the larger design to defend cities, they accept the feasibility of the more limited design to defend missiles or military installations. Even this less ambitious program includes deployment in space and on land of exotic weaponry that in their opinion constitutes a staggering menace to Soviet security. In the Soviet view it could nullify a Soviet first-strike capability (in the Western sense of a counterforce strike). The worst fear of all is that a major American antiballistic missile system could give the United States a possible first-strike capability for perhaps a few years until the Soviet Union succeeded in deploying a comparably effective ABM system of its own.

If such awesome security considerations are more important than economic considerations in the minds of the new leaders, together they afford the United States the firmest foundation for potentially successful negotiations with the Soviet Union on strategic arms control. Soviet security and economic interests in this case coincide, or should coincide, with American security and economic interests.

XII

The unprecedented propulsion in less than six years of an unknown provincial party secretary to the summit of Soviet power is seen by many, within and without the Soviet Union, as a singular opportunity to alleviate the accumulated national burdens of decades. The new leader, so long awaited and so sorely needed, epitomizes the best traits of his generation. He has already demonstrated his promise as a brilliant politician, an energetic innovator, and a determined realist. He has begun to gather around him a disciplined group of associates who share his strong sense of duty to the state, his relative autonomy from the approaches and policy choices of the past, his orientation toward material over spiritual values, his belief in the still vast potential of a superior system, his faith in the revolutionary promise of advanced technologies.

Few doubt that the Soviet Union today is at a major turning point in its history. The weight of ineffectual and archaic political and economic institutions conspire to deny the country access to the global third industrial revolution and to its concomitant, the authoritative role of a great world power. Mikhail Gorbachev and those around him aspire to revitalize the country and empire. Will they have the means to realize their vision

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of the Soviet future or will they, like so many of history's leaders, succumb to the inertial pressures of self-defeating tradition?

The "titanic task," the quality of the new leader, and the stakes riding on his success make it imperative for us to study attentively the genesis and evolution of Gorbachev's world. At this turning point the industrial democracies and the United States in particular can have some influence, in varying degrees and at various times, on the Soviet national and international future. May these opportunities be used with wisdom and determination to shape a constructive role for the Soviet Union in the international community.

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CHRONOLOGY 1985

Edited by Kay King

UNITED STATES
(See also country, regional and topic entries)

JAN. 3. Ninety-ninth US Congress, first session, convenes in Washington.

JAN. 18. US names Max M. Kampelman as chief US negotiator for Geneva nuclear arms talks, former Sen. John Tower as negotiator for strategic weapons, Maynard W. Glitman as negotiator for medium-range weapons.

JAN. 20. Ronald Wilson Reagan is sworn in for second term as US President.

JAN. 24. US space shuttle *Discovery* begins secret military mission; returns safely 1/27.

JAN. 30. US Ambassador to United Nations Jeane J. Kirkpatrick resigns; Reagan names retired Gen. Vernon Walters to replace her 2/8; Walters confirmed by Senate 5/16.

FEB. 18. Retired Gen. William C. Westmoreland drops suit charging CBS Inc. with libel in 1/82 TV broadcast asserting conspiracy to mislead US leaders and public about enemy troop strengths during Vietnam War.

MAR. 19. US Supreme Court upholds selective prosecution of young men refusing to register for draft.

APR. 12. Orbiter *Discovery* begins 16th US shuttle mission; successfully launches Canadian satellite 4/12, but second satellite fails after launch 4/13; shuttle returns to earth 4/19.

APR. 18. Deputy Secretary of State Kenneth W. Dam resigns; John C. Whitehead is named as replacement, confirmed 7/8.

APR. 20. Defense Department conducts test of proposed combat media "pool" proposed to cover sensitive military operations; says reporters leaked information regarding test 4/21.

APR. 30. Assistant Secretory of State for Inter-American Affairs Langhorne A. Motley resigns; Elliott Abrams is named to replace him, confirmed 7/17.

MAY 13. Federal court orders General Electric to refund $800,000, pay $1-million penalty for fraud on defense work.

MAY 21. US Navy, citing contract abuse, other misconduct, cancels $22.5 million in contracts with General Dynamics Corp., bars company from new contracts pending refund of overcharged funds, correction of company procedures; lifts ban 8/13 saying General Dynamics had paid fine, begun company-wide ethics program.

JUNE 17. Reagan announces creation of bipartisan panel to study military procurement practices to be chaired by David Packard.

— Space shuttle *Discovery* begins 18th US shuttle mission; deploys 3 satellites, tests component of proposed strategic defense system; returns safely to earth 6/24.

JULY 12. Reagan signs bill reviving expired 1979 Export Administration Act regulating export of militarily useful technology.

JULY 13. President Reagan is operated on for removal of intestinal polyp at Bethesda Navy Medical Center, transfers power to Vice President George Bush for nearly 8 hours; doctors report 7/15 that growth was cancerous; President returns to White House 7/20.

— All-day "Live Aid" rock concerts, broadcast to nearly 1.5 billion persons in 152 countries, are held in London, England, and Philadelphia, Penn; raise an estimated $70 million for African famine victims.

JULY 19. Sharon Christa McAuliffe, 36-year-old high school teacher from New Hampshire, is named first private citizen to join US space shuttle mission.

AUG. 8. Reagan signs foreign aid bill authorizing $12.77 billion for each of 1986, 1987 fiscal years; provisions include nonmilitary aid to anti-government Nicaraguan rebels, bar on military aid to Mozambique, aid to anti-communist forces fighting

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Vietnam-backed Cambodian government, limited military aid to Philippines with proviso that aid be used for "nonlethal" equipment only, and repeal of 9-year-old Clark Amendment banning aid to anti-Marxist insurgents in Angola.

AUG. 27. Department of Defense, in first cancellation of major in-production weapons program since 1960s, announces halt to purchases of army's Sergeant York antiaircraft gun, saying performance did not measure up to cost.

SEPT. 19. In first of routine medical exams since 7/13 cancer surgery, Reagan is declared to have "100 percent complete recovery."

SEPT. 28. State Department announces proposal for 5-year, $5.5 billion program to overhaul security at embassies worldwide and to counter Soviet-bloc espionage overseas.

OCT. 7. State Department announces end to US policy of automatic compliance with International Court of Justice decisions, saying court's decisions had been "abused for political ends."

OCT. 16. Senate Armed Services Committee releases study proposing 91 separate measures to make Defense Department, military services more efficient; recommendations include abolition of Joints Chiefs of Staff.

OCT. 24. Reagan addresses UN General Assembly on organization's 40th anniversary, urges peaceful solutions to conflicts involving Soviet-backed regimes, calls for "fresh start" in US-Soviet relations.

OCT. 30. US space shuttle *Challenger* begins mission managed by West Germans; first manned space flight run by nation other than US or USSR lands safely 11/6.

DEC. 4. Reagan announces resignation of Robert C. McFarlane as national security adviser; appoints McFarlane's deputy, Vice Admiral John M. Poindexter, as successor.

DEC. 12. Jetliner, en route from Egypt to Ft. Campbell, Ky., crashes in Gander, Newfoundland, after refueling; all aboard are killed, including 8 crew members and 248 US servicemen returning home for Christmas after 6-month tour of duty with international peacekeeping force in the Sinai.

DEC. 19. Secretary of State George P. Shultz expresses unhappiness with 11/1 presidential directive requiring polygraph tests for government officials with access to sensitive information, says he would resign if told he was not trusted; White House announces that polygraph use will be limited to cases of suspected espionage 12/20.

DEC. 24. Citing threats to safety of some foreign ambassadors in US, Reagan Administration announces it will seek congressional funding to provide bodyguards for approximately 10 foreign diplomats based in Washington, D.C.

TERRORISM

JAN. 13. Libyan envoy Faraj Makhyun is shot and killed outside his home in Rome; Arab terror group claims responsibility; Libyan press reports blame Palestine Liberation Organization (PLO) and CIA.

JAN. 15. Car bomb damages US military building near Brussels; Communist Combatant Cells terror group claims responsibility.

JAN. 30. French police raid headquarters of Basque Homeland and Liberty (ETA) guerrilla group, arresting high ETA leaders and seizing large arms cache.

FEB. 2. Bombing at bar near US military base outside Athens injures 78 persons, including 57 Americans; Secretary of Defense Caspar W. Weinberger, in congressional testimony 2/5, says "damaging statements" by Greek government were partly responsible for bombing; Greece denounces Weinberger's comments 4/6.

FEB. 28. Provisional Irish Republican Army terrorists attack Ulster police barracks with mortar shells, killing 9 officers.

MAR. 8. Car bomb in Beirut kills 80 near home of radical Shi'ite cleric; press reports 5/12 say attack was launched by US-supported Lebanese counterterrorist group, asserts that CIA knew of bombing plan; CIA denies connection to bombing 5/13.

JUNE 11. Shi'ite extremists hijack Jordanian Boeing 727 in Beirut, demanding expulsion of Palestinian guerrillas in Lebanon; force plane to Cyprus, Sicily, and back to Beirut 6/12; blow up aircraft after releasing passengers, crew; Palestinian

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commandeers Lebanese Boeing 707 in retaliation for Shi'ite hijacking; surrenders in Cyprus, is allowed to fly to Amman, Jordan.

JUNE 14. Two Shi'ite gunmen commandeer Trans World Airlines Boeing 727 carrying 153 passengers and crew on flight from Athens to Rome, demanding release of 766 Arab prisoners held by Israel; force plane to make several stops, releasing all but 41 hostages; kill US navy diver Robert Stetham aboard plane 6/15; leave aircraft in Beirut, taking hostages to undisclosed locations in city; President Ronald Reagan rules out public concessions to hijackers, but Israel says it will release Arab prisoners on preset timetable; hostages are released 6/30 through mediation of Shi'ite Amal leader Nabih Berri, Syrian government.

JUNE 19. Salvadoran guerrillas attack sidewalk cafe in San Salvador, killing 13 persons, including 4 US marines and 2 US businessmen.

— Terrorist bomb kills 3 persons, wounds 42 at airport in Frankfurt, West Germany.

JUNE 23. Air India Boeing 747 carrying 329 persons crashes into Atlantic Ocean, killing all aboard; investigators speculate that crash was caused by bomb planted by Sikh terrorists.

— Suitcase bomb kills 2 baggage handlers, injures 4 others at New Tokyo International Airport.

JULY 8. Reagan, in speech before American Bar Association, denounces Iran, Libya, North Korea, Cuba and Nicaragua as "outlaw states," calls the 5 nations a "new international version of Murder, Inc." saying they sponsor terrorism throughout the world.

JULY 19. US offers reward of up to $100,000 for information leading to prosecution and punishment of killers of 6 Americans in San Salvador 6/19.

AUG. 8. Car bomb explodes outside US Rhein-Main Air Base in West Germany killing 2 Americans, injuring 20 others; West German Red Army Faction and French Direct Action terrorist groups claim joint responsibility for attack 8/13.

AUG. 17. Fifty persons are killed, 100 wounded as car packed with dynamite explodes outside supermarket in Christian suburb of East Beirut.

AUG. 27. Salvadoran President José Napoleón Duarte announces arrest of 3 leftist guerrillas in connection with 6/19 slayings of 13 people, including 6 Americans; one suspect is killed in arrest attempt, 7 others still at large.

SEPT. 10. Gunmen kidnap Inés Duarte Durán, eldest daughter of Salvadoran president, and friend, killing one bodyguard, seriously injuring another.

SEPT. 17. Salvadoran officials reveal that the Pedro Pablo Castillo Front, a little-known satellite of the Farabundo Martí National Liberation Front, claimed responsibility 9/13 for the kidnapping of President Duarte's daughter; kidnappers 9/18 demand stop to further reporting about abduction in Salvadoran press and halt of military operations; add further demand 9/25 that government release 34 rebels in exchange for Duarte Durán and friend.

SEPT. 25. Three Palestinian gunmen kill 3 Israeli citizens aboard private yacht in Larnaca, Cyprus; surrender to police after 10-hour seige.

SEPT. 28. State Department announces proposal for 5-year, $5.5 billion program to overhaul security at embassies worldwide and to counter Soviet-bloc espionage overseas.

SEPT. 30. Four Soviet diplomats, in 2 separate incidents, are kidnapped in West Beirut, in first abduction of Soviet nationals in Lebanon; Islamic Liberation Organization claims responsibility 10/1, saying it will execute captives unless offensive against Tripoli by Syrian-backed leftist militias is halted; captive, identified as Arkady Katkov, is found shot dead in empty West Beirut lot 10/2; 3 remaining captives are released unharmed 10/30.

OCT. 1. Israel bombs Tunisian headquarters of PLO, killing more than 70 persons, in retaliation for 9/25 slayings of 3 Israelis in Cyprus; Reagan Administration says attack appeared to be "legitimate response" to terrorism, then modifies position 10/2 saying attack "cannot be condoned."

OCT. 7. Four members of militant Palestinian faction hijack Italian cruise ship, *Achille Lauro*, in Mediterranean Sea with more than 400 persons aboard, demand release of 50 Palestinians from Israeli jails, murder one American tourist, throw him overboard 10/8; terrorists set passengers, crew free 10/9, surrender to Egyptian authorities after negotiators, without knowledge of slaying, agree to grant them safe passage out of Egypt.

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OCT. 10. US navy jets intercept Egyptian airliner en route to Tunis carrying 4 terrorists accused of 10/7 *Achille Lauro* hijacking and 2 unidentified Palestinians, forcing plane to land in Sicily; 4 terrorists are charged 10/11 with murder and kidnapping by Italian authorities; Italy releases other 2 Palestinians 10/12; Reagan Administration protests release 10/12 saying it suspects one of released Palestinians, Mohammed Abbas Zaida, of masterminding hijacking; Italian government says US request for extradition of Abbas lacked sufficient legal basis; Egyptian President Hosni Mubarak accuses US of "act of piracy" 10/12 for intercepting plane.

OCT. 16. US announces that body reported found 10/15 on Syrian coast had been positively identified as that of Leon Klinghoffer, US citizen slain by *Achille Lauro* hijackers 10/8.

OCT. 17. US Department of Justice offers $250,000 reward for information leading to arrest of 3 men believed responsible for 6/14 hijacking of TWA jet and murder of one passenger.

OCT. 24. Leftist rebels free Ines Duarte Durán and friend unharmed, along with 23 mayors and other government officials, in exchange for release of 22 political prisoners and provision of safe passage for 101 guerrillas disabled in Salvadoran fighting.

OCT. 30. Italian Prime Minister Bettino Craxi announces that Italian political leaders have agreed to "revive" 5-party coalition government that collapsed 10/17 in wake of events following *Achille Lauro* hijacking.

NOV. 6. More than 2 dozen leftist guerrillas from April 19 Movement shoot their way into Palace of Justice in Bogotá, Colombia, taking more than 300 persons hostage; estimated 100 persons are killed as government troops, police storm building and rescue hostages 11/7.

NOV. 18. Four Palestinians accused of 10/7 *Achille Lauro* hijacking are convicted of illegal possession of guns, explosives in Genoa, Italy, are sentenced to 4–9 years in prison; all face hijacking and murder charges.

NOV. 23. Terrorists hijack plane with 98 persons aboard en route to Cairo from Athens; plane is forced to land in Malta where terrorists demand refueling of jet; hijackers release 11 women, then begin shooting US, Israeli passengers after Maltese authorities refuse refueling request until all passengers are freed; Egyptian commandos storm jet throwing grenades that set plane on fire killing 56 passengers and bringing death toll to 60; Egyptian officials blame Palestinian members of PLO's breakaway Abu Nidal faction for attack, saying they had backing of Libyan leader Muammar al-Qaddafi.

NOV. 24. At least 34 persons are wounded as booby-trapped car explodes in shopping complex at US military installation in northern Frankfurt.

DEC. 14. Reagan, in weekly radio address, calls Nicaragua "a breeding ground for subversion"; accuses Nicaraguan government of aiding rebel seizure of Palace of Justice in Bogotá, Colombia, 11/6; Nicaragua's Interior Minister Tomás Borge denies Bogotá role 12/15.

DEC. 19–20. Gunman, claiming to be Abu Nidal member, takes over courtroom in Nantes, France; gives weapons to 2 of 4 robbery defendants on trial, takes 32 persons hostage; gunmen release all but 4 hostages 12/19, surrender at Nantes airport after releasing other hostages 12/20.

DEC. 27. Attacks on Rome and Vienna airports leave 19 persons dead, 114 wounded as terrorists wielding grenades, submachine guns barrage El Al Israel Airlines check-in counters; officials reveal 12/28 that one surviving terrorist, identified as Abu Nidal follower, carried note saying attack was in retaliation for Israel's 10/1 bombing of PLO headquarters near Tunis; Israeli Defense Minister Yitzhak Rabin tells American group 12/29 that 4 arrested Abu Nidal terrorists were believed to have been trained in Iran; Reagan Administration accuses Libya of aiding terrorists 12/30; Libya denies involvement 12/31.

THE UNITED STATES AND THE WORLD ECONOMY

JAN. 11. US, European Community agree on new quota for EC steel tubes and pipes entering US markets; US lifts embargo on those goods, releases products impounded 11/84.

JAN. 25. Dominican Republic, conforming to International Monetary Fund con-

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ditions, devalues peso by 67%, increases fuel and food prices by 34%; 2 persons die in violent protests against new measures 2/4.

JAN. 28–30. Members of Organization of Petroleum Exporting Countries (OPEC), meeting in Geneva, agree on oil price reductions in response to slackening world demand; member-states Algeria, Libya and Iran reject new guidelines.

FEB. 7. US, citing human rights violations by government of Gen. Augusto Pinochet Ugarte, abstains from vote on Inter-American Development Bank loan to Chile.

FEB. 9. Bolivia adopts broad anti-inflation program, including devaluation of peso by 81%, price increases.

FEB. 25. *The Wall Street Journal* reports that dollar gain against foreign currencies is greatest daily rise since 1978; US, 6 European nations sell estimated $1–2 billion in dollars to stabilize currency markets 2/27.

MAR. 1. Reagan Administration says it will not request extension of voluntary curbs on Japanese auto exports set to expire 3/31; US automakers denounce move.

MAR. 4. US announces new US-Israel free trade accord to eliminate all tariffs between the 2 countries before 1995.

MAR. 21. Nicaragua reportedly withdraws application for IADB loan after US pressures bank administration to deny funds.

MAR. 29. Mexico, international banks sign agreement on rescheduling of $28.6 billion in foreign debt.

APR. 12. IMF, citing arrears on previous loan principal, interest, declares Vietnam ineligible for further credit.

APR. 23. US, Mexico sign trade agreement promising protection from trade penalties, end to export subsidies.

MAY 2–4. President Ronald Reagan attends annual economic summit of 7 leading industrial democracies in Bonn; French President François Mitterrand opposes new multilateral trade negotiations supported by other 6 nations.

MAY 7. Chile announces agreement with foreign banks on rescheduling $7.25 billion debt.

MAY 17. Argentine government orders 120-day freeze on dollar-denominated accounts to avoid run on banks following major bank failure.

MAY 20. Philippines, international bankers agree on rescheduling of $5.8 billion in foreign debts, $925 million in new loans.

MAY 21. US, USSR announce new bilateral trade agreements including Soviet fur exports, US-Soviet maritime pact.

JUNE 14. Argentine President Raúl Alfonsín announces sweeping new austerity program including introduction of new currency, wage and price controls, government spending cuts.

JULY 19. Italian lira drops sharply, prompting government to suspend all foreign exchange trading; European Monetary Committee officials agree at 7/20 emergency meeting to devalue lira against European Monetary System's 7 other currencies.

JULY 22–25. OPEC members, meeting in Geneva, approve small oil price cuts by 10–3 vote; member-states Algeria, Iran, Libya dissent.

SEPT. 7. Citing "unfair trade practices," Reagan announces plans to move against Japan, South Korea, Brazil and the EC in effort to stave off protectionist legislation pending in Congress.

SEPT. 22. Top economic officials from US, UK, West Germany, France and Japan meet in New York, agree to work in concert to drive down dollar's value; dollar 9/23 records largest one-day drop in 12-year history of floating currency rates.

SEPT. 23. Reagan, in effort to open foreign markets to American goods, announces formation of $300 million fund to subsidize some US exports, promises to pressure foreign governments to drop unfair trade barriers.

— Cuba signs agreement with 110 foreign commercial banks to reschedule $90 million in debt over next 10 years.

OCT. 1. Mexico's 13-bank advisory committee recommends 6-month postponement of $950 million debt payment due in 2 installments on 10/1 and 11/4 in light of devastating 9/19 earthquake.

OCT. 7–11. IMF and World Bank hold joint annual conference in Seoul, Korea; US Treasury Secretary James Baker 10/8 proposes 3-point plan to aid debtor

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nations over next 3 years that would include extension of $20 billion in new loans by commercial banks, $9 billion increase in World Bank loans.

Nov. 1. US, EC reach 4-year accord, effective 1/1/86, enabling European Community to increase its share of US steel market in 10 categories and subjecting 10 new categories of EC steel to quotas, but maintaining 5.5% limit on EC's share of US market.

Nov. 20. Western creditors announce rescheduling of $1.3 billion Polish debt falling due by end of 1985; will stretch repayment over 10 years with 5-year grace period.

Nov. 25–28. Ninety General Agreement on Tariff and Trade member-nations, meeting in Geneva, unanimously agree 11/28 to initiate new round of trade liberalizing negotiations in 1986.

Nov. 25. Press reports reveal that, after 5-year halt, US banks have started lending to USSR.

Dec. 7–8. Ministers of OPEC member-nations, meeting in Geneva at fifth session of year, agree to abandon official pricing structure, say OPEC nations will protect fixed share of world market by cutting prices as needed, thus bringing official policy into line with general practice; world oil prices drop sharply 12/9–12/11 as announcement raises fears of price war.

Dec. 11. Senate votes 61–31, House votes 271–154 to pass Gramm-Rudman Bill aimed at shrinking budget deficit to zero by 1991; President Reagan signs bill into law 12/12.

Dec. 15. IMF, World Bank announce that commercial banks support 10/8 proposal by Treasury Secretary Baker to increase their lending to debtor nations by $20 billion over 3 years.

Dec. 16–17. Foreign and finance ministers of 11-nation Cartagena Group, meeting in Montevideo, Uruguay, propose new loans and reduction of interest rates as means to cut third world debt; say Baker plan is good step but not sufficient; Brazil, Mexico, Argentina, Venezuela and Colombia announce they will act as a bloc in lobbying foreign governments, banks to accept proposals.

WESTERN EUROPE AND CANADA

Jan. 7. France offers New Caledonia limited independence under special "treaty of association"; island leaders and separatists reject plan 1/8.

Jan. 9. Report by US nuclear expert says US plans to deploy nuclear weapons in Canada in wartime; Canadian government denies knowledge of plan 1/11; Canadian opposition parties denounce plan 1/21.

Jan. 11. US, European Community agree on new quota for EC steel tubes and pipes entering US markets; US lifts embargo on those goods, releases products impounded 11/84.

Feb. 1. Greenland withdraws from European Community.

Feb. 5. Four Britons, held since 4/84 by Libya after UK severed diplomatic relations in wake of 4/17/84 shooting incident at Libyan embassy in London, are freed following intercession by Archbishop of Canterbury's special envoy, Terry Waite.

— Spain reopens border between Spain and Gibraltar.

Feb. 12. Canadian Defense Minister Robert C. Coates resigns following scandal over visit to sex club during West German trip; Prime Minister Brian Mulroney accepts resignation, but says investigation found no breach of security in Coates actions; Coates is replaced by Erik Nelson 2/27.

Feb. 15. Spain expels 2 US diplomats on espionage charges.

Feb. 19–21. UK Prime Minister Margaret Thatcher, visiting Washington, strongly endorses US Strategic Defense Initiative (SDI).

Mar. 3. Delegates to Britain's National Union of Mineworkers vote to return to work without gaining concessions sought in year-old strike.

Mar. 9. Greek Prime Minister Andreas Papandreou withdraws support for reelection of President Constantine Caramanlis; Socialist Party nominates Christos Sartzetakis to replace Caramanlis 3/9; Caramanlis withdraws from race, resigns 3/10; parliament approves Sartzetakis by narrow margin 3/29; opposition New Democracy Party denounces vote.

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MAR. 20. Vatican condemns "liberation theology" teachings of Brazilian priest Leonardo Boff; Boff acknowledges criticism, affirms adherence to Vatican positions.

MAR. 29. Portugal, Spain agree to conditions for entry into European Community; sign treaty 6/12 providing for 1/1/86 formal entry.

APR. 3. French government announces system of proportional representation that will strengthen electoral prospects of small, radical parties; Agriculture Minister Michel Rocard resigns in protest 4/4.

APR. 30. Irish Prime Minister Garret FitzGerald, under heavy security, visits Londonderry, Northern Ireland, in first such trip in 20 years; Northern Irish Protestant leaders harshly denounce visit.

MAY 2–4. President Ronald Reagan attends annual economic summit of 7 leading industrial democracies in Bonn.

MAY 5. Reagan, in controversial visit, lays wreath at German military cemetery at Bitburg, West Germany.

MAY 6–7. Reagan meets with Prime Minister Felipe González in Madrid, discusses withdrawal of US troops from Spain.

MAY 8–9. Reagan meets with Portuguese Prime Minister Mario Soares in Lisbon.

MAY 11–14. Pope John Paul II, on visit to Netherlands, is heckled by crowds of young demonstrators protesting Vatican stands on social issues.

MAY 27. Convicted papal assailant Mehmet Ali Agca, on opening day of trial of 5 Turks and 3 Bulgarians accused of assisting him in 1981 attack against Pope Paul II, says he is Jesus Christ, warns of impending apocalypse; defense lawyers say incident proves that Agca is mentally disturbed.

MAY 29. Thirty-eight persons are killed, at least 200 injured in Brussels soccer stadium as British spectators storm grandstands filled with Italian fans.

JUNE 2. Pan Hellenic Socialist Movement (PASOK), led by Prime Minister Papandreou wins unexpectedly large victory in Greek national elections, claiming 161 seats in 300-member parliament; Papandreou sworn in for second 4-year term 6/5.

JUNE 13. Portuguese Social Democratic Party withdraws from ruling coalition with Socialist Party in dispute over economic policy.

JUNE 20. René Levesque resigns seat in Quebec's National Assembly, relinquishes presidency of Canada's Parti Québécois and premiership of Quebec; Pierre Marc Johnson is elected successor by party 9/29, sworn in as premier 10/3.

JUNE 21. Team of experts announces that skeleton exhumed in São Paulo, Brazil, has been positively identified as that of fugitive Nazi concentration camp doctor Josef Mengele.

JUNE 24. Former Prime Minister Francesco Cossiga, a Christian Democrat, is elected president of Italy.

JULY 4. Spanish Prime Minister González shuffles 31-month-old cabinet after resignation of economy minister; dismisses 5 cabinet ministers including Foreign Minister Fernando Morán Lopez, who is replaced 7/5 by Francisco Fernández Ordóñez.

JULY 8. Canada announces imposition of limited economic sanctions against South Africa to protest Pretoria's apartheid policy.

— UK lifts ban on Argentine imports imposed during 1982 Falkland Islands War.

JULY 10. Greenpeace photographer dies as 2 bombs sink environmentalist group's protest vessel, *Rainbow Warrior*, preparing to leave Auckland, New Zealand, on campaign against French nuclear testing in South Pacific; New Zealand authorities 7/23 arrest man, woman with Swiss passports in connection with sinking, issue warrants for 3 others suspected of involvement 7/26; French magazine *L'Express* reports 8/14 that woman arrested 7/23 is actually French intelligence agent; Mitterrand government announces official inquiry 8/8.

JULY 13. All-day "Live Aid" rock concerts, broadcast to nearly 1.5 billion persons in 152 countries, are held in London, England, and Philadelphia, Penn.; raise an estimated $70 million for African famine victims.

JULY 16. Belgian Prime Minister Wilfried Martens submits resignation of coalition government after deputy prime minister quits in protest over handling of 5/29 soccer riot; Martens agrees to continue in office after King Baudouin rejects coalition's resignation but prime minister moves up scheduled 12/8 elections to 10/13.

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JULY 18. Seventeen European nations launch European Research Cooperation Agency (Eurêka), a joint high-technology research program.

JULY 19. Italian lira drops sharply prompting government to suspend all foreign exchange trading; European Monetary Committee officials agree at 7/20 emergency meeting to devalue lira against European Monetary System's 7 other currencies.

AUG. 1. Ten European Community member-nations, plus Spain and Portugal, agree to recall their ambassadors from Pretoria for "consultations" in protest against state of emergency.

AUG. 2. UK, Italy and West Germany agree to jointly build jet fighter costing estimated $14 billion and targeted for operation by 1995; in interview released 9/1, Prime Minister González says Spain will also participate; French President François Mitterrand announces 11/8 that France will take "symbolic" part in project.

AUG. 7. Striking journalists, protesting British Broadcasting Corporation decision to cancel documentary featuring politician purported to be chief of staff of Provisional Irish Republican Army, cause 24-hour UK radio and television news blackout.

AUG. 9. Personal secretary to West German economics minister is reported missing, suspected of being East German spy; 2 others, also feared to be spies, disappear over weekend of 8/16–8/18.

AUG. 22. Spy scandal widens as third most senior West German counterintelligence official, Hans Joachim Tiedge, is reported missing since 8/19; East German press agency reports Tiedge's defection 8/23; secretary in office of West German President Richard von Weizsäcker is arrested 8/25 on espionage charges.

AUG. 26. Special government investigator appointed 8/8 by President Mitterrand releases report clearing French cabinet, intelligence service of involvement in 7/10 sinking of Greenpeace anti-nuclear protest ship, *Rainbow Warrior*; identifies persons being sought or held by New Zealand authorities as French intelligence agents but says they played no role in sinking of ship; New Zealand Prime Minister David Lange denounces report as "transparent."

AUG. 29. West German Chancellor Helmut Kohl dismisses Chief of Intelligence Heribert Hellenbroich, in midst of espionage scandal.

SEPT. 2. UK Prime Minister Thatcher realigns cabinet, appointing Secretary of State for Northern Ireland Douglas Hurd as home secretary, and Trade and Industry Secretary Norman Tebbit as chairman of Conservative Party.

SEPT. 8–9. Norway's Prime Minister Kåre Willoch is reelected after his center-right coalition wins 78 parliamentary seats to the left wing's 77 in nationwide elections.

SEPT. 10. Eleven West European nations agree to impose trade, cultural and military sanctions against South Africa; UK declines to participate, then decides to join others 9/25.

SEPT. 15. Swedish Prime Minister Olof Palme is reelected to second consecutive 3-year term.

SEPT. 17. Secretary in office of Chancellor Kohl defects to East Germany.

SEPT. 20. France's Defense Minister Charles Hernu resigns and head of nation's intelligence agency, Adm. Pierre Lacoste, is dismissed as government attempts to end political crisis surrounding 7/10 sinking of *Rainbow Warrior*; departures come in wake of 9/17 *Le Monde* report that sabotage was work of French military divers undertaken with defense minister's approval and that military, intelligence officials had provided official government investigator with false information; Paul Quilès is named to replace Hernu, who denies he ordered attack but takes responsibility.

SEPT. 22. French government admits that agents of its intelligence service sank *Rainbow Warrior* 7/10; Premier Laurent Fabius says 9/25 that former Defense Minister Hernu and former intelligence agency head Lacoste were responsible for incident.

SEPT. 26. UK concludes $4.5-billion agreement for sale of 132 British advanced technology aircraft to Saudi Arabia.

OCT. 1. French President Mitterrand declines Reagan invitation to attend 10/24 meeting in New York with leaders of UK, Canada, Italy, West Germany and Japan to discuss 11/19–11/20 summit between Reagan and Soviet leader Mikhail S. Gorbachev; Belgian, Dutch leaders express anger 10/2 that they were not invited to New York session.

OCT. 7. Social Democratic Party, led by Anibal Cavaco Silva, wins parliamentary

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elections in Portugal, capturing 30% of vote as its former coalition partner, the Socialist Party, wins less than 20% of vote, down more than 16% from 1983; Cavaco Silva is sworn in as prime minister 11/6.

OCT. 11. Greek Prime Minister Andreas Papandreou announces 2-year austerity program to include devaluation of drachma, freeze on wage hikes, tax increases, import curbs; workers in both private and public sectors begin series of 24-hour strikes 10/21 in protest.

OCT. 13. Center-right coalition of Prime Minister Wilfried Martens gains reelection after capturing 115 seats in Belgium's 212-seat Chamber of Deputies.

OCT. 17. Italian Prime Minister Bettino Craxi resigns after Republican Party pulls out of governing coalition 10/16 in protest over release of Palestinian guerrilla Mohammed Abbas Zaida and perceived pro-Palestinian bias in government's foreign policy; agrees, at request of President Francesco Cossiga, to stay on as caretaker until new government is formed.

OCT. 24. President Reagan meets with leaders of UK, Canada, Japan, West Germany and Italy to discuss his upcoming summit with Soviet leader Gorbachev.

OCT. 30. Italian Prime Minister Craxi announces that Italian political leaders have agreed to "revive" 5-party coalition government that collapsed 10/17 in wake of events following *Achille Lauro* hijacking; coalition drafts new policy document supporting PLO Mideast role provided group pursues "peaceful negotiations."

NOV. 1. Prime Minister Ruud Lubbers announces Dutch will deploy new US medium-range missiles in 1988; says Netherlands will limit other nuclear assignments 11/29.

NOV. 4. Two French agents, on trial in Auckland, New Zealand, for 7/10 sinking of Greenpeace protest ship *Rainbow Warrior* where one person died, plead guilty to reduced charge of manslaughter; each is sentenced to 10 years in prison 11/22.

NOV. 5–6. Foreign, research ministers of 18 European nations participating in Eurêka meet in Hanover, West Germany; approve 10 pilot technology projects, issue declaration of principles.

NOV. 15. UK, Republic of Ireland sign accord granting Irish Republic formal consultative role in the governing of Northern Ireland; House of Commons votes 473–47 to support agreement; Unionist members of UK parliament say they will carry out pledge to resign 1/1/86, thus forcing by-elections on accord.

NOV. 24-DEC. 8. Extraordinary Synod of Roman Catholic Bishops is held at Vatican to review reforms started by Second Vatican Council; final report, reflecting liberal and conservative elements of church hierarchy, reaffirms Vatican II reforms, calls for new universal catechism of church doctrine.

DEC. 2. Liberal Party defeats Parti Québécois by large margin in Canada's Quebec National Assembly elections; Liberal Party leader Robert Bourassa is sworn in as provincial premier 2/12.

DEC. 2–3. Leaders of the 10 European Community member-states, plus Spain and Portugal, hold summit in Luxembourg; announce first revision of European Economic Community's 1957 Treaty of Rome intended to eliminate remaining trade barriers by 1992.

DEC. 4. Polish leader Gen. Wojciech Jaruzelski visits with French President Mitterrand at Elysée Palace in former's first meeting with Western leader in Western capital since 12/81 imposition of martial law in Poland.

DEC. 5. Thatcher government informs House of Commons that UK will withdraw from UNESCO at end of 1985.

DEC. 6. US Secretary of Defense Caspar W. Weinberger, British Defense Minister Michael Heseltine sign accord in London giving UK role in American SDI research.

DEC. 10. 1985 Nobel Peace Prize is awarded to International Physicians for the Prevention of Nuclear War, 5-year-old, Boston-based group of 135,000 individuals from 41 nations, founded by American and Soviet doctors.

DEC. 12–13. NATO foreign ministers meeting in Brussels issue final communiqué saying allies are encouraged by developments in East-West relations.

THE SOVIET UNION AND EASTERN EUROPE

FEB. 7. Polish court convicts security police officer and 3 former officers of 10/84 killing of dissident Catholic priest Rev. Jerzy Popieluszko.

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FEB. 13. Polish police, in raid, arrest 7 dissidents associated with banned Solidarity trade union.

FEB. 19. US, Soviet representatives meet in Vienna to discuss Middle East.

FEB. 21. USSR signs agreement with International Atomic Energy Agency allowing first on-site inspections of Soviet civilian nuclear power plants.

FEB. 28. Albanian official press reports say 12/81 death of Premier Mehmet Shehu was not suicide, but "liquidation"; Albania denies murder 3/1, says press reports were misinterpreted.

MAR. 10. Soviet President Konstantin Chernenko dies of heart failure; Politburo member Mikhail S. Gorbachev is named to replace him 3/11; Vice President George Bush attends funeral 3/13.

APR. 8. Gorbachev announces new emphasis on economic policies, increased production at Central Committee meeting.

APR. 11. Albanian leader Enver Hoxha dies at age 76; government bans foreign dignitaries from attending funeral, rejects condolences from USSR; President Ramiz Alia succeeds Hoxha as first secretary of Albanian Workers' Party 4/13.

APR. 23. Gorbachev names 3 new voting members to full Politburo of Soviet Communist Party.

APR. 26. Soviet-bloc nations, meeting in Warsaw, approve 20-year extension of Warsaw Pact.

MAY 1. Polish police battle demonstrators in Warsaw, other major cities as thousands march to protest government austerity measures, banning of Solidarity labor movement.

MAY 16. USSR announces major new program to combat alcoholism, alcohol abuse.

JUNE 11. Gorbachev, in major speech, deplores poor USSR economic performance, waste, urges broad new economic program.

JULY 2. Andrei A. Gromyko is named president of USSR; is succeeded as foreign minister by Eduard A. Shevardnadze.

JULY 10. USSR, China sign agreement doubling future bilateral trade to $14 billion from 1986–90.

JULY 15. Poland's 17 Western creditor nations, known as Club of Paris, sign agreement to reschedule $12 billion in loans owed from 1982–84.

AUG. 26. Gorbachev, in first formal interview with Western press since assuming Soviet leadership, tells *Time* magazine that US is waging "campaign of hatred" against USSR.

AUG. 30. Lech Wałęsa, on fifth anniversary of founding of Solidarity trade union, unveils 500-page report by Solidarity sympathizers calling for renewed talks between Polish government and people to end nation's social, economic and ecological decay.

SEPT. 27. Soviet Prime Minister Nikolai A. Tikhonov retires; is replaced by Nikolai I. Ryzhkov.

OCT. 15. Soviet leader Gorbachev presents drafts of new political, economic programs to guide nation to year 2000; economic plan aims to double national income, increase labor productivity up to 150% within 15 years.

NOV. 6. Poland's Gen. Wojciech Jaruzelski turns over duties as prime minister to Zbigniew Messner, assumes chairmanship of Council of State, retains role as head of Communist Party.

NOV. 15. USSR says it will give exit visas to 10 Soviet citizens who have been denied permission to reunite with family members in US; Helle Frejus, first of 10 persons granted permission to emigrate, arrives in US 12/29.

NOV. 20. Western creditors announce rescheduling of $1.3 billion Polish debt falling due by end of 1985; will stretch repayment over 10 years with 5-year grace period.

DEC. 13. Soviet officials announce that, for first time in 20 years, China, USSR foreign ministers will exchange visits in 1986.

DEC. 15–18. George Shultz visits Romania, Hungary and Yugoslavia in first trip to Eastern Europe as secretary of state; in Bucharest, he tells President Nicolae Ceauşescu 12/15 that Romania could lose its most-favored-nation trade status with US unless it eases pressure on some of its Christian sects; at Belgrade press conference 12/17, Shultz expresses anger over terrorism and Yugoslavia's role in allowing Mohammed Abbas Zaida, who Reagan Administration believes masterminded *Achille Lauro* hijacking, to escape to Iran.

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EAST-WEST RELATIONS

JAN. 2. Norwegian defense ministry reports Soviet cruise missile had strayed into Norwegian airspace, crashed in Finland 12/28/84; Oslo, Helsinki announce USSR apology 1/4; Finland returns missile's remnants to Soviets 2/8.

JAN. 7–8. Secretary of State George P. Shultz and Soviet Foreign Minister Andrei A. Gromyko meet in Geneva; agree to resume arms talks combining negotiations on intercontinental and intermediate-range nuclear weapons, and on preventing arms race in space.

JAN. 8. Marine Pvt. Robert E. Cordrey is convicted by military court of attempting to spy for USSR.

JAN. 13. Gromyko, in TV interview, says US-Soviet arms talks will depend on limitation of US Strategic Defense Initiative (SDI); Secretary of Defense Caspar W. Weinberger denounces Gromyko statement as imposing new condition on talks.

JAN. 15. East German refugees seeking asylum in West end sit-in at West German embassy in Prague, Czechoslovakia, after receiving immunity from prosecution, promise of consideration for exit visas.

JAN. 18. US names Max M. Kampelman as chief US negotiator for Geneva nuclear arms talks, former Sen. John Tower as negotiator for strategic weapons, Maynard W. Glitman as negotiator for medium-range weapons.

JAN. 26. USSR names Viktor P. Karpov as chief negotiator for Geneva nuclear arms talks, Yuli Kvitsinsky as negotiator for space weapons, Alexsei Obukhov as negotiator for medium-range weapons.

FEB. 1. Reagan Administration, in report to Congress, charges USSR with continued violations of existing arms agreements, including development of new land-based ballistic missile, production of Backfire bomber beyond agreed limits; USSR denies charges 2/2.

FEB. 11. President Ronald Reagan defends SDI; says development will continue regardless of outcome at Geneva arms talks.

FEB. 19, 25. US conducts successful cruise-missile test flights over Canada.

FEB. 21. East German citizen Alfred Zehe pleads guilty 2/21 in Boston to charges of spying on US Navy in 1983.

FEB. 25. Poland expels US military attaché and wife on espionage charges; US retaliates by expelling Polish attaché.

MAR. 1. Department of Defense releases report acknowledging potential danger of climatic disaster in large-scale nuclear exchange.

MAR. 12. US, Soviet negotiators begin arms control talks in Geneva.

MAR. 17. Soviet diplomat, Igor Gezha, defects to US from embassy post in New Delhi.

MAR. 18. Reagan, Canadian Prime Minister Brian Mulroney sign agreement to upgrade North American radar defenses against Soviet air attack.

MAR. 24. Soviet soldier kills US officer, Maj. Arthur D. Nicholson, Jr., serving in liaison unit in Potsdam, East Germany; USSR claims officer ignored warnings; Reagan harshly denounces incident 3/25; US expels Soviet military attaché in retaliation 4/26.

MAR. 25. Press reports say typewriters at US embassy in Moscow were bugged by Soviets from 1982–84.

MAR. 28. House, in 217–210 vote, approves funds for production of 21 new MX strategic missiles.

APR. 2. Department of Defense releases fourth edition of *Soviet Military Power*, accusing USSR of military buildup; USSR denounces report 4/2.

APR. 7. Soviet leader Mikhail S. Gorbachev, in interview, announces unilateral moratorium on deployment of new intermediate-range nuclear missiles, expresses interest in summit talks; US denounces moratorium as propaganda ploy 4/8.

APR. 17. USSR proposes moratorium on all nuclear weapons tests; US says test ban is unverifiable.

APR. 18. Defense Department announces plan for testing parts of proposed antimissile strategic defenses without violating Anti-Ballistic Missile (ABM) Treaty.

MAY 3. Poland expels 2 US diplomats for alleged participation in May Day protest rallies; US ousts 4 Polish diplomats in response.

MAY 14. Secretary of State Shultz, USSR Foreign Minister Gromyko meet in Vienna during ceremonies marking 30th anniversary of Austrian State Treaty.

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MAY 20. FBI arrests retired Navy Chief Warrant Officer John A. Walker, Jr. for attempting to sell classified documents to USSR; Walker's son, Seaman John L. Walker, is arrested aboard USS *Nimitz* 5/22 for stealing navy secrets; third relative, retired Navy Lt. Comdr. Arthur J. Walker, is arrested on spy charges 5/29; family friend, retired Chief Petty Officer Jerry A. Whitworth is arrested 6/3; Arthur Walker is found guilty 8/19 of espionage and conspiracy, fined $250,000 and sentenced to life imprisonment 11/12; John A. Walker, in plea bargain arrangement granting his son reduced term of 25 years, pleads guilty to charges, agrees to give government complete accounting of material he delivered to Soviets, is sentenced to life imprisonment 10/28.

MAY 21. US, USSR announce new bilateral trade agreements including Soviet fur exports, US-Soviet maritime pact.

MAY 22. NATO defense ministers, meeting in Brussels, agree on measure to improve conventional defenses in Europe.

MAY 23. White House, Senate leaders agree to limit MX missile deployments to 50 missiles.

MAY 27. Gorbachev calls Geneva strategic arms talks "fruitless," says US plan for space-based defenses will end prospects for US-Soviet agreement.

JUNE 10. Reagan announces that US will continue to abide by terms of unratified 1979 SALT II agreement, says US will dismantle aging Poseidon submarine in order to avoid violation of accord.

JUNE 14. USSR expels US diplomat on spying charges.

JUNE 18. US says it has canceled annual meeting of US, USSR naval officers in order to protest killing of US military officer by Soviet troops in East Germany 3/24.

JULY 2. US officials announce Reagan, Gorbachev will meet 11/19–11/20 in Geneva.

JULY 16. Second round of US-Soviet arms control talks ends in Geneva with no progress reported.

JULY 19. CIA, according to *New York Times* report, has revised its estimate of Soviet SS-19 capability; now says, in contradiction to Pentagon assessment, that missile is too inaccurate to pose threat to US missile silos.

JULY 29. Soviet Union says it will impose 5-month moratorium on nuclear weapons testing, effective 8/6, to continue beyond 1/1/86 if US imposes similar moratorium.

JULY 30-AUG. 1. Foreign ministers of signatory nations meet in Finland to mark tenth anniversary of 1975 Helsinki accords.

AUG. 20. White House announces US will proceed with its first test of antisatellite weapons against an object in space; Moscow condemns test 8/21, threatening to resume ASAT tests of its own.

AUG. 21. State Department accuses USSR of using nitrophenylpentadienal, white powdery substance thought to be carcinogenic, to track movements of US diplomatic personnel in Moscow; Soviets deny charges 8/22.

AUG. 31. Citing increased arrest levels in Poland, President Reagan announces refusal to meet with Prime Minister Gen. Wojciech Jaruzelski during Polish leader's 9/85 visit to US for UN General Assembly session.

SEPT. 4. Moscow says it will no longer consider itself bound by 2-year-old commitment not to deploy antisatellite weapons if US proceeds with planned ASAT test.

SEPT. 7. Department of State announces US and USSR are to hold high-level talks to discuss differences over Indochina, Korea and other areas of potential conflict in Far East.

SEPT. 10. Gorbachev, meeting in Kremlin with West German opposition leader, Social Democrat Johannes Rau, offers to establish chemical weapons-free-zone in central Europe if US agrees; White House rejects proposal, saying US wants negotiated, comprehensive, verifiable ban.

SEPT. 12. British officials reveal that key UK-based Soviet intelligence agent defected exposing major espionage network, prompting UK expulsion of 25 Soviets identified as spies; Soviets retaliate 9/14, expelling 25 British diplomats, embassy staff, correspondents from USSR; UK responds 9/16 sending 6 more Soviets home; Moscow orders 6 additional Britons expelled 9/18.

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SEPT. 13. US air force missile destroys orbiting derelict satellite 290 miles above Pacific Ocean in first successful US test of antisatellite weapon.

SEPT. 15. Pentagon reveals that US military crew had been detained for 9 hours at gunpoint by Soviet troops in East Germany 9/7–9/8.

SEPT. 17. Reagan, in White House press conference, rules out making deal with USSR on development and testing of proposed US space-based missile defense system in exchange for deep cuts in Soviet nuclear arsenals.

SEPT. 19. US, USSR resume negotiations on nuclear and space weapons in Geneva.

SEPT. 24. Report released by congressional Office of Technology Assessment expresses doubts about ability of SDI to provide leakproof nuclear umbrella, concludes that space-based missile defense might make US-Soviet buildup more likely.

SEPT. 26. US intelligence sources reveal that Vitaly Yurchenko, high-ranking Soviet KGB agent who disappeared in Rome 7/85, had defected; Yurchenko, at 11/4 press conference at Soviet embassy in Washington, D.C., surprises US officials saying he had escaped from CIA agents after being kidnapped, interrogated and tortured; Yurchenko departs for USSR 11/6 after US officials meet with him 11/5, express satisfaction he is leaving of own accord.

SEPT. 30. Formal proposal issued by Soviet Union at Geneva disarmament talks asks US to reduce long- and medium-range nuclear weapons by 50%, says USSR will make long-range weapons reductions if US agrees to conditional ban on space-based defense research and permanent ban on testing or deployment of space-based weapons.

OCT. 3. Gorbachev, in speech before French National Assembly, proposes that France, UK enter into arms reduction talks with USSR independent from those being conducted with US; French President François Mitterrand and British Foreign Secretary Sir Geoffrey Howe, in separate statements, reject offer 10/4.

OCT. 6. US National Security Advisor Robert C. McFarlane says 1972 Anti-Ballistic Missile Treaty allows not only for research into space-based weapons but for testing and development as well; Secretary Shultz, in effort to clarify US position on ABM clauses, announces 10/14 that US plans to adhere to restrictive interpretation of treaty that allows only research into space-based ABM systems, concedes that broader interpretation is valid.

OCT. 22. Secretary Weinberger says Soviet deployment of SS-25 ICBM, in addition to its testing of the SS-24, violates SALT II accord because accord allows for development of only one new intercontinental ballistic missile; Soviet foreign ministry responds 10/22 saying SS-25 is not new weapon, but only upgraded version of SS-13.

OCT. 22–23. Leaders of Warsaw Pact nations meet in Sofia, Bulgaria, issue communiqué condemning arms race.

OCT. 24. Soviet seaman, Miroslav Medved, jumps off USSR freighter, *Marshal Konev*, docked in Mississippi River near New Orleans; while being returned to ship by US Border Patrol, Medved jumps a second time, prompting speculation that he wants to defect; US officials interview seaman, who signs statement saying he wants to return to Soviet Union; ship departs New Orleans for USSR despite attempts by US human rights groups and politicians to interview Medved once again.

OCT. 27. Soviet offer to halt construction on radar at Krasnoyarsk installation in central Siberia if US takes reciprocal action on radar stations in UK and Greenland is reported by *The Times* of London; US expresses doubts about offer 10/29.

OCT. 31. Secretary Shultz announces that USSR has agreed to allow Yelena G. Bonner, wife of dissident Andrei D. Sakharov, to leave Soviet Union for medical treatment in West; Bonner flies to Rome for medical consultations 12/2, arrives in US for treatment 12/7.

NOV. 1. Press reports reveal that US negotiators at Geneva arms control talks presented proposal stipulating that US would abandon development of its Midgetman mobile ICBM in exchange for Soviet scrapping of plans for mobile SS-24 and SS-25 missiles.

NOV. 5. Shultz, National Security Advisor McFarlane complete 2-day trip to USSR for pre-summit talks with Soviet leader Gorbachev, Foreign Minister Eduard A. Shevardnadze.

NOV. 7. Geneva arms talks adjourn, set to reconvene 1/16/86.

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NOV. 16. *The New York Times* and *The Washington Post* report that Secretary of Defense Weinberger had sent letter to Reagan 11/13 urging President not to make concessions at Geneva summit that would commit US to continuing its adherence to 1979 SALT II accord or to affirming a "restrictive" interpretation of 1972 ABM treaty.

NOV. 19–21. President Reagan, Soviet leader Gorbachev hold summit in Geneva, spend over 5 hours in private talks; 1986 Gorbachev visit to US and 1987 Reagan visit to USSR are agreed upon; North Pacific Air Safety Agreement is signed 11/19; accord to reestablish educational, scientific, cultural and athletic exchanges is also signed in televised 11/21 ceremony; joint statement released 11/21.

NOV. 22. State Department reveals that US told USSR before 11/19–11/21 summit that Washington would indefinitely continue its policy of compliance with SALT II.

NOV. 25. Ronald W. Pelton, former communications specialist for US National Security Agency, is arrested after admitting he sold US intelligence secrets to USSR for more than 5 years.

DEC. 7. Reagan Administration announces US is now requiring diplomats from East Germany, Poland, Czechoslovakia and Bulgaria to book travel within the US through State Department.

DEC. 10. Gorbachev tells delegation of 400 US businessmen that trade with USSR will be limited until Washington lifts political obstacles such as legislation denying Soviets most-favored-nation status and restrictions on high-technology exports.

DEC. 11. US notifies UN secretary-general of its willingness to serve as guarantor of a peace settlement in Afghanistan that would include withdrawal of Soviet troops and an end to US rebel aid.

DEC. 12. US officials reveal that Reagan, Gorbachev approved accord on environmental protection at 11/19–11/21 summit.

DEC. 19. Reagan Administration says that Soviet leader Gorbachev had sent letter to Reagan 12/5 expressing desire to resume talks on the comprehensive test ban treaty and offering to allow US on-site inspection of nuclear test sites in exchange for US participation in current Soviet testing moratorium that is due to expire 12/31 if US does not impose similar moratorium.

DEC. 23. Annual presidential report on arms control treaty compliance is sent to Congress, reaffirms Soviet violations of ABM, SALT II treaties; Moscow denies allegations 12/29, says US is guilty of violations.

DEC. 24. US officials reveal that Reagan had written in response to Gorbachev's 12/5 letter, reiterating that US would not join USSR's current nuclear testing moratorium, but proposing that experts meet to discuss bilateral verification improvements.

MIDDLE EAST AND PERSIAN GULF

JAN. 3. Israel acknowledges it has conducted clandestine airlift of Ethiopian Jews to Israel for more than 5 years after press reports reveal airlift's existence 1/2; Ethiopia denounces evacuation 1/4; Israel halts airlift 1/5.

JAN. 5. Jordan, denouncing US restrictions on arms sales, says it has purchased Soviet antiaircraft weapons.

JAN. 14. Israeli cabinet approves plan (16–6) for withdrawal of Israeli troops from Lebanon.

JAN. 24. US federal court jury clears Time Inc. of libel charges brought by former Israeli Defense Minister Ariel Sharon over article regarding 1982 massacre of Palestinian civilians in Lebanon.

FEB. 11. Palestine Liberation Organization (PLO) leader Yasir Arafat and Jordan's King Hussein reportedly reach agreement on common approach to Mideast peace accord; Israeli officials discount agreement 2/12; Reagan applauds Jordanian announcement 2/13.

FEB. 16. Israel completes first stage of withdrawal from Lebanon.

FEB. 24. Egyptian President Hosni Mubarak, in interview, proposes summit including US, Egyptian, Israeli, Jordanian-Palestinian negotiators; Israel welcomes proposal 2/25; PLO denounces plan 2/28.

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MAR. 9–13. Egyptian President Mubarak visits US; urges direct US assistance in renewed peace process 3/12; deplores "defeatist" approach of Reagan Administration 3/13.

MAR. 12. Iran, in massive assault, attacks Iraqi southern front; Western diplomats say offensive has failed 3/19.

MAR. 15. Iranian President Mohammed Ali Khamenei narrowly escapes death in suicide bomb attack by unknown assassin in Teheran.

MAR. 18. President Mubarak, King Hussein fly to Baghdad to demonstrate support for Iraqi President Saddam Hussein, reportedly discuss aid for Iraqi war effort.

MAR. 21. Two CBS-TV journalists are killed by Israeli tank shell in southern Lebanon; CBS denounces attack as "deliberate"; Israel defends action as accident 3/22; CBS official, after investigation, accepts Israeli account 3/26.

MAR. 22. US military planes reportedly fly several hundred Ethiopian Jews to Israel in secret operation; secret Senate letter to Reagan urging operation is revealed 3/25.

MAR. 23. Lebanese President Amin Gemayel meets with Syrian President Hafez al-Assad in Damascus to discuss 3/12 rebellion by Christian militia.

APR. 2. Israel moves 1,100 prisoners to Israel from detention in Lebanon; US denounces move as violation of Geneva conventions 4/3; Israel denies accusation.

APR. 16. Shi'ite Amal militia forces overrun West Beirut, defeating Sunni Mourabitoun and Palestinian forces in heavy fighting; Lebanon Prime Minister Rashid Karami and cabinet resign 4/17 after renewed violence, but Karami withdraws resignation 4/24 after meeting with Syrian leaders in Damascus.

APR. 20. Boat carrying 29 Palestinian guerrillas on apparent raid attempt is sunk off Israeli coast by Israeli warship; 21 guerrillas are killed, 8 captured.

MAY 19. Renewed fighting breaks out near Beirut as Shi'ite Amal militias attempt to disarm Palestinian guerrillas in 3 main refugee camps; Palestinians accuse Amal militiamen of massacring Palestinian fighters, civilians in refugee camps 5/26.

MAY 20. In agreement with pro-Syrian Palestinian faction, Israel exchanges 1,150 Arab prisoners, including Palestinian terrorists, for 3 Israeli soldiers captured during Lebanon invasion; Israeli conservatives demand similar leniency for Jewish extremists imprisoned for anti-Arab violence.

MAY 25. Kuwait leader Sheik Jabir al-Ahmad Al Sabah escapes with minor injuries after suicide car-bomb attack against motorcade in which he was riding.

MAY 29. King Hussein, visiting Washington, says PLO has agreed to accept UN resolutions acknowledging Israel's right to exist; Arafat 6/6 refuses to comment on Hussein's statement.

JUNE 6. Israel says pullout of troops from Lebanon is complete, but says advisers, intelligence units will remain behind to assist Israeli-supported Lebanese militia.

JUNE 7. Israeli-backed Lebanese militia seizes 24-man UN peacekeeping force, accusing it of complicity in abduction of militia fighters by Shi'ite Amal; Israel says UN force bears responsibility for incident.

JULY 1. Israeli government declares economic emergency imposing harsh austerity measures, including 18.8% devaluation of shekel and cuts in some government subsidies, aimed at reducing 260% inflation rate; 1.5 million workers, protesting measures, virtually shut down nation in one-day general strike 7/2.

JULY 7–8. Lebanese Shi'ite, Sunni and Druse leaders, meeting in Damascus in effort to settle differences among Muslim factions, agree on steps to improve security in West Beirut.

JULY 10. In first ruling by Israeli court convicting Israeli Jews of terrorist involvement, 3 Jewish settlers are convicted of murder, 12 other defendants are found guilty of committing violent crimes in series of 1980–84 attacks against West Bank Arabs.

JULY 17. Israel rejects list of Palestinians, chosen by Arafat, as possible members of Jordanian-Palestinian delegation scheduled to hold preparatory Mideast peace talks with US; Reagan Administration asserts 7/18 that US will not grant Israel veto power over meeting.

AUG. 7–9. Representatives of Arab League member-states, meeting in Casablanca, Morocco, in emergency session called by King Hassan II, fail to make progress on "issues dividing the Arabs," as so-called hard-line nations, Syria, Algeria, South Yemen, Lebanon and Libya, boycott conference.

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AUG. 15. Iran's Kharg Island oil export terminal is bombed in Iraqi airstrike for second time in 5-year-old Iran-Iraq war.

AUG. 18. US Assistant Secretary of State for Near Eastern and South Asian Affairs Richard W. Murphy departs Mideast after 6 days of talks with Jordanian, Israeli and Egyptian officials; refuses to meet with joint Jordanian-Palestinian delegation because assurances that meeting would lead to direct talks between Jordan and Israel could not be provided by King Hussein.

SEPT. 4. Saudi Arabia tells US it will allow American military forces to use Saudi bases in cases of Soviet aggression or if Saudis are unable to handle Persian Gulf crisis on their own.

SEPT. 18. Reagan announces 9/14 release of Rev. Benjamin Weir, held hostage in Lebanon for 16 months.

SEPT. 26. UK concludes $4.5-billion agreement for sale of 132 British advanced technology aircraft to Saudi Arabia.

SEPT. 27. Reagan notifies Congress of intention to sell Jordan $1.5–1.9 billion in arms; agrees 10/23 to endorse Senate resolution barring arms deal until 3/1/86 unless Jordan and Israel begin "direct and meaningful peace negotiations" before that date; House approves resolution 11/12.

SEPT. 28. Syrian-backed militiamen, using Soviet-built tanks, field artillery, rockets attack Tripoli in effort to capture city from Muslim fundamentalists.

OCT. 1. Israel bombs Tunisian headquarters of PLO, killing more than 70 persons, in retaliation for 9/25 slayings of 3 Israel citizens in Larnaca, Cyprus; Reagan Administration says attack appeared to be "legitimate response" to terrorism, then modifies position 10/2 saying attack "cannot be condoned."

OCT. 14. UN General Assembly withdraws resolution inviting PLO Chairman Arafat to attend 40th anniversary ceremonies in wake of US threat to boycott commemoration if Arafat is present.

OCT. 21. Israeli Prime Minister Shimon Peres, in UN General Assembly address, declares that "state of war between Israel and Jordan should be terminated immediately," offers to travel to Jordan before end of year to participate in Mideast peace conference; King Hussein welcomes "spirit" of peace proposal 10/23; Israeli Knesset votes 68–10 to approve Peres report on peace proposals 10/28.

NOV. 10. *The New York Times* reports that Peres and Hussein had reached informal agreement whereby Israel would attend an international conference on Mideast issues in return for Jordan's bringing only Palestinians acceptable to Israel to the meeting.

NOV. 15. Israel's coalition government avoids collapse as Prime Minister Peres accepts letter of apology from right-wing Likud bloc Minister of Trade and Industry Ariel Sharon for publicly criticizing Peres' peace initiatives toward Jordan.

NOV. 21. Jonathan Jay Pollard, an American Navy analyst, is arrested in Washington, DC, on charges of selling classified information to Israel; Pollard's wife, Anne L. Henderson-Pollard is arrested, charged with unauthorized possession of classified documents 11/22.

NOV. 24. Israeli government, denying knowledge of espionage operation in US, says it will investigate Pollard affair; US officials reveal 11/27 that 2 diplomats had returned to Israel after being recalled in connection with case; Israeli investigators report 11/28 that person for whom Pollard was collecting information was a senior Jerusalem-based government official, running his own unauthorized espionage operation in Washington, D.C.; US presses Israel to allow questioning of diplomats, other officials regarding matter 11/29; Peres apologizes for any Israeli role, promises full investigation 12/1; State Department announces 12/20 that Israel had dismantled spy unit, cooperated fully with US investigators.

DEC. 11. Jordan, Syria issue joint communiqué calling for UN-sponsored peace conference including USSR, US and other permanent members of UN Security Council.

DEC. 15. Israel announces that Syria, shortly after 11/19, had stationed a variety of surface-to-air missiles along Syria's border with Lebanon thus jeopardizing Israel's reconnaissance missions over Lebanon; Israeli Prime Minister Peres reports 12/26 that Syria had moved missiles into eastern Lebanon.

DEC. 28. Principal Lebanese rival militia chiefs sign armistice in Damascus, Syria, in attempt to end over 10 years of civil war.

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DEC. 30–31. Jordan's King Hussein and Syria's President Assad meet in Damascus, hold talks for first time in over 6 years.

SOUTH ASIA

JAN. 12. Pakistani President Mohammed Zia ul-Haq sets 2/25 elections for National Assembly, disbanded since 1977.

JAN. 15. Bangladesh President Hussein Mohammed Ershad dissolves cabinet, sets parliamentary elections for 4/6.

JAN. 18. India arrests 7 high officials accused of passing secret information to foreign governments; Indian businessman Coomar Narain admits selling secrets to France, East Germany, Poland.

FEB. 20. Sri Lankan President Junius Jayewardene accuses India of harboring Tamil terrorists.

FEB. 25. Centrist parties enjoy strong showing in Pakistan National Assembly elections marked by high turnout; right-wing parties win only weak support.

MAR. 1. Bangladesh President Ershad reimposes martial law, arrests leading opposition politicians.

MAR. 2, 5. Congress (I) Party sweeps elections to Indian state assemblies, retaining effective control in 17 of 22 states.

MAR. 10. Pakistan President Zia reinstates 1973 constitution, omitting provisions on subversion, personal freedom, judicial powers.

MAR. 21. Bangladesh President Ershad wins national referendum on his government's policies; opposition leaders denounce vote as fraud.

MAY 14. Tamil guerrillas, in 3 related attacks, kill estimated 150 Sinhalese civilians in Sri Lanka; 54 Tamils are killed in reprisal attacks 5/15.

MAY 25. Tidal waves strike coast of Bangladesh, killing at least 10,000 and leaving up to 250,000 persons homeless.

JUNE 11–15. Indian Prime Minister Rajiv Gandhi, visits US; addresses joint session of Congress 6/13.

JUNE 18. Sri Lankan government and major Tamil separatist factions announce cease-fire agreement.

JUNE 18–19. US, Soviet officials meet at State Department in 2 nation's first discussion on Afghanistan in 3 years.

JULY 24. Indian Prime Minister Gandhi signs agreement with Harchand Singh Longowal, leader of moderate Sikh, Akali Dal Party, to bring end to tensions in Punjab state; militant Sikh leaders denounce accord 7/25; Sikh political leaders meet 9/26, majority approve agreement.

AUG. 14. Pakistani Premier Mohammad Khan Junejo announces that martial law, in place for 8 years, is to be lifted by 1/1/86.

AUG. 15. Prime Minister Gandhi announces settlement of dispute with immigrant population of northeastern Indian state of Assam.

AUG. 17. Leaders of Sri Lankan minority Tamil rebel groups accuse army of 8/16 massacres of Tamil civilians, storm out of second-round peace talks begun 8/12 with government.

AUG. 20. Harchand Singh Longowal, president of India's Akali Dal Party, is assassinated in Punjab; 2 Sikh assailants are arrested.

AUG. 29. Benazir Bhutto, former opposition leader and 31-year-old daughter of late Pakistani Prime Minister Zulfikar Ali Bhutto, is placed under house arrest 8/29 by Zia government after her return home from year-long, self-imposed exile for the funeral of her 27-year-old brother, Shahnawas, who was found dead under mysterious circumstances 7/18 in Cannes, France.

AUG. 30. One person dies, 150 are injured as cloud of chlorine gas escapes from chemical plant in Bombay suburb of Chembur, known as the "gas chamber" because of the number of chemical plants located there.

— Sri Lankan government agrees to new formula granting greater self-rule to Tamil region at urging of Indian Prime Minister Gandhi.

SEPT. 25. Moderate Sikh party, Akali Dal, wins more than 75 of 115 legislative districts in Punjab state assembly elections.

— Prime Minister Gandhi shuffles cabinet for first time since taking office

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10/31/84; relinquishes foreign affairs post to Bali Ram Bhagat, takes over defense post himself.

OCT. 9. *The Wall Street Journal* reports that US Congress secretly approved approximately $200 million in additional military aid for anti-government rebels in Afghanistan.

NOV. 2. Afghanistan troops ring US embassy in Kabul, cut off electricity, douse building with searchlights in effort to force US diplomats to turn over Soviet soldier who entered embassy 10/31; soldier, member of Soviet occupation forces in Afghanistan, departs embassy 11/4 of own free will after Soviets assure him he will not be punished for action.

DEC. 7–8. Leaders of Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka, meeting in Dhaka, Bangladesh, launch new South Asian Association for Regional Cooperation, intended to reduce tension among member-nations and promote regional cooperation in agriculture, telecommunications and transportation.

DEC. 17. Indian Prime Minister Gandhi and Pakistani President Zia meet in New Delhi, say they will make new efforts to ease tensions between 2 nations, pledge not to attack each other's nuclear installations.

DEC. 18. Gandhi's governing Congress (I) Party concedes defeat to Assam People's Council in Assam state legislative elections held 12/16.

DEC. 30. President Zia declares end to over 8 years of martial law, restores basic rights, but warns nation not to expect any radical changes.

DEC. 31. State Department reveals that Kabul regime had presented timetable for withdrawal of all 120,000 Soviet troops from Afghanistan over one-year period as part of UN-sponsored discussion in Geneva from 12/16–12/19 on political settlement in Afghanistan.

EAST ASIA AND THE PACIFIC

NORTHEAST ASIA

JAN. 2. President Ronald Reagan and Japanese Prime Minister Yasuhiro Nakasone, meeting in Los Angeles, Calif., agree on measures to open Japanese markets to US goods.

JAN. 9. North Korea denounces planned US-South Korean war games, cancels scheduled North-South economic talks.

FEB. 8. Opposition leader Kim Dae Jung returns to South Korea, ending 2-year exile in US; fracas erupts at airport as security police arrest Kim; prominent Americans accompanying Kim accuse security police of brutality during episode; Reagan attributes incident to "bad judgment on both sides" 2/11; Korean government regrets incident 2/21.

FEB. 12. Newly formed New Korea Democratic Party wins 67 seats in elections to South Korean National Assembly; ruling Democratic Justice Party suffers 3-seat loss, finishing with 148 seats; Democratic Korea Party loses 46 seats, finishing with 20 seats.

MAR. 1. Reagan Administration says it will not request extension of voluntary curbs on Japanese auto exports set to expire 3/31; Japan announces new ceilings 25% higher than previous year 3/31; US automakers denounce move 3/28.

MAR. 6. South Korean government lifts ban on political activity by 14 opposition leaders, including Kim Dae Jung.

MAR. 23. Chinese torpedo boat enters South Korean waters following mutiny; China demands return of vessel; South Korea returns vessel, crew to China 3/28 after receiving written apology from Chinese 3/26.

APR. 9. Japanese Prime Minister Nakasone introduces trade-liberalization package; appeals, in unusual TV address, to consumers to buy more foreign goods; US welcomes move.

MAY 9. US, Japan announce agreement on joint project to build manned space station.

JULY 23. North and South Korean officials, for first time in 40 years, meet in Panmunjom, South Korea, to plan reunification talks.

JULY 30. Prime Minister Nakasone announces 88 measures aimed at opening

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markets to foreign goods, reducing record trade surplus; Reagan Administration welcomes plan, but expresses skepticism.

AUG. 6. Fortieth anniversary of dropping of atomic bomb on Japan is marked by 55,000 persons in Hiroshima's Peace Memorial Park.

SEPT. 20–23. North and South Korea each allow 151-member delegations to visit the other's capital cities for first ever reunion of families separated by Korean War.

OCT. 2. South Korean court sentences 20 college students to up to 7 years in prison for 5/23 occupation of US Information Agency building in Seoul.

OCT. 15. Japan, in effort to reduce huge trade surplus, announces measures to stimulate domestic demand, including incentives for housing construction, expansion of consumer credit and increases in public works projects.

NOV. 29. Tokyo Stock Exchange announces choice of 3 American and 3 British securities firms as members, marking first time foreign firms will be allowed to join the 107-year-old exchange.

DEC. 28. Prime Minister Nakasone realigns cabinet dismissing most of his ministers but retaining Foreign Minister Shintaro Abe, Finance Minister Noboru Takeshita.

SOUTHEAST ASIA, AUSTRALIA AND THE PACIFIC

JAN. 7. France offers New Caledonia limited independence under special "treaty of association"; island leaders and separatists reject plan 1/8.

JAN. 8. Vietnamese troops capture main headquarters of Khmer People's National Liberation Front guerrillas; guerrilla forces retreat across Thai border.

JAN. 12. New Caledonian government declares state of emergency as ethnic violence increases between French settlers and indigenous Kanak separatists; France sends 1,000 additional troops to island; French President François Mitterrand visits island 1/17 to urge support for proposed treaty.

JAN. 17. Philippine government drops subversion charges against opposition leader Jovito Salonga; *Salonga returns to Philippines from exile in US 1/21.*

JAN. 23. Philippines formally charges 26 people, including armed forces chief-of-staff, Fabian C. Ver, of role in 8/83 assassination of opposition leader Benigno S. Aquino; trial, which runs from 2/22 to 9/25, is halted 37 times by postponements; 3-judge civilian court acquits all 26 defendants 12/2; President Ferdinand E. Marcos immediately reinstates Ver, who had been on leave of absence since 10/84.

FEB. 4. New Zealand denies US request for port call by US destroyer *Buchanan*, citing US refusal to guarantee that ship does not carry nuclear arms; US cancels military exercises, orders sharp reduction in military, intelligence cooperation with New Zealand 2/26.

FEB. 5. Australian Prime Minister Bob Hawke, citing domestic political pressures, retracts pledge to aid US in test of MX intercontinental ballistic missile; US regrets Hawke decision 2/7.

FEB. 14. US-Laotian team finds remains of US airmen at site of warplane downed in Laos during Vietnam War.

FEB. 15. Vietnamese forces capture Khmer Rouge guerrilla headquarters in Cambodia near Thai border.

MAR. 4. Australian government announces cancellation of scheduled 7/85 summit of Australia-New Zealand-United States (ANZUS) security treaty council due to controversy over New Zealand's refusal to receive nuclear-armed US warships.

MAR. 5. Vietnamese soldiers attack headquarters of Cambodian guerrillas loyal to Prince Norodom Sihanouk; Thailand says 1,000 Vietnamese troops have crossed Thai border, orders army to repel incursion; Vietnam denies invasion 3/7; Sihanouk camp is overrun 3/11.

APR. 9. State Department says US may provide military aid to non-communist guerrillas fighting Vietnamese occupation forces in Cambodia.

APR. 12. International Monetary Fund, citing arrears on previous loan principal, interest, declares Vietnam ineligible for further credit.

APR. 24–25. Officials from 80 Asian and African countries hold meeting in Bandung, Indonesia, to mark 30th anniversary of Asia-Africa Conference, Nonaligned Movement.

MAY 8. March by Melanesian nationalists sparks new ethnic rioting on New

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Caledonia; pro-independence representatives resign from territorial assembly to protest violence.

MAY 20. Philippines, international bankers agree on rescheduling of $5.8 billion in foreign debts, $925 million in new loans.

JULY 7. US officials announce Vietnamese government promise to return remains of 26 American servicemen missing since Vietnam War.

JULY 8–9. Association of Southeast Asian Nations (ASEAN) foreign ministers, in annual meeting in Kuala Lumpur, Malaysia, propose "proximity talks" between rebel groups in Cambodia and a Vietnamese delegation that would include representatives of Heng Samrin regime.

JULY 10. Greenpeace photographer dies as 2 bombs sink environmentalist group's protest vessel, *Rainbow Warrior*, preparing to leave Auckland, New Zealand on campaign against French nuclear testing in South Pacific; Auckland authorities arrest man and women with Swiss passports suspected of involvement in sinking 7/23.

JULY 15. In apparent turnaround, Khmer Rouge says, in Voice of Democratic Kampuchea radio broadcast, it would be willing to accept government in Cambodia that would include officials of the present Vietnamese-backed regime.

JULY 15. Secretary of State George P. Shultz meets with Australian Foreign Minister Bill Hayden in day-long substitute session for annual ANZUS alliance talks; New Zealand is excluded because of 2/4 refusal to accept port call from US destroyer without assurances that the ship was non-nuclear.

AUG. 7. Eight Pacific nations, including Australia and New Zealand, sign treaty declaring South Pacific a nuclear-free zone.

AUG. 8. President Ronald Reagan signs 1986 foreign aid bill that includes provision granting only limited military aid to Philippine government and specifying that aid can be used for "nonlethal" equipment only; legislation warns of complete loss of US aid if Marcos regime does not improve political and human rights conditions in nation; bill also provides military, economic aid to anti-communist rebels fighting Cambodian government.

AUG. 26. Special government investigator, appointed 8/8 by President Mitterrand amid accusations by French press that 2 persons suspected of sinking *Rainbow Warrior* were French intelligence agents, releases report; clears French cabinet, intelligence service of involvement in 7/10 sinking of Greenpeace anti-nuclear protest ship; New Zealand Prime Minister David Lange denounces report as "transparent."

SEPT. 9. Four persons are killed as attempted coup led by former Thai army officers is thwarted by government troops loyal to Premier Prem Tinsulanonda; former Premier Kriangsak Chamanan, 39 others are charged 10/25 with inciting rebellion in attempting overthrow.

SEPT. 20. Twenty-one persons are killed in Escalante as violence erupts during one of several anti-government demonstrations throughout Philippines marking 13th anniversary of imposition of martial law.

SEPT. 20. France's Defense Minister Charles Hernu resigns and head of nation's intelligence agency, Adm. Pierre Lacoste, is dismissed; French government admits 9/22 that agents of its intelligence service sank *Rainbow Warrior* 7/10.

SEPT. 29. French loyalists win majority in New Caledonia national assembly elections; pro-independence group wins majorities in 3 of 4 regional assemblies.

OCT. 11. Five soldiers, 4 militiamen are suspended in Philippines for alleged role in 8/24 shootings of Roman Catholic priest, 2 women believed to have been members of communist New People's Army.

OCT. 14. Sen. Paul Laxalt (R-Nev.), Reagan special envoy, arrives in Philippines, meets with President Marcos 10/16–10/17 to discuss deteriorating military, political, economic situation; urges reforms, expresses US concern about Marcos' 2/26 vow to return Gen. Ver to position as armed forces chief of staff if Ver is acquitted of Aquino murder.

OCT. 21. One person is killed, 27 are wounded in Manila as police open fire on demonstrators protesting US support of Marcos regime and 9/20 killings in Escalante.

NOV. 3. President Marcos announces he will ask Philippine National Assembly to move up presidential elections scheduled for 1987 to early 1986; Marcos 12/3 signs bill passed by National Assembly 11/26, setting election date for 2/7/86.

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NOV. 4. Two French agents, on trial in Auckland, New Zealand, for 7/10 sinking of Greenpeace protest ship *Rainbow Warrior* where one person died, plead guilty to reduced charge of manslaughter; each is sentenced to 10 years in prison 11/22.

NOV. 11. President Marcos submits letter of resignation to Philippine National Assembly stipulating that he will not leave office until after 1986 election.

DEC. 3. Corazon Aquino, denouncing 12/2 acquittal of those charged with involvement in 8/83 assassination of her husband, declares she will run for president as candidate of 8-party coalition, People's Struggle; says she had asked Salvador H. Laurel, leader of United Nationalist Democratic Organization (UNIDO) to be vice-presidential running mate; Aquino-Laurel ticket collapses moments before news conference to announce candidates 12/8; Laurel registers 12/9 as presidential candidate in wake of collapse; Aquino, Laurel reach compromise 12/11, file as running mates under UNIDO banner with Aquino as presidential, Laurel as vice-presidential candidates.

DEC. 11. President Marcos is named presidential candidate of Philippine's New Society Movement; selects former foreign minister and sometime critic, Arturo M. Tolentino, as vice-presidential running mate.

DEC. 15. Philippine opposition presidential candidate Aquino says, if elected, she will "probably" put Marcos on trial for the murder of her husband.

CHINA AND TAIWAN

JAN. 11. US officials say agreement has been reached on sales of US antisubmarine weapons to China; China also reportedly agrees to 4/85 port visit by 3 US warships.

JAN. 15. Taiwan dismisses military intelligence chief, arrests several others for involvement in 10/84 murder of Chinese-American dissident Henry Liu in US; declines 2/1 to extradite 2 murder suspects to US; 2 are sentenced to life imprisonment 4/9.

MAR. 27-APR. 10. Chinese National People's Congress holds annual session in Beijing; tighter regulation of economic reforms is announced.

APR. 10. China says US has pledged that US warships visiting Shanghai will not carry nuclear weapons; US denies promise 4/11, cancels naval visit 5/13.

MAY 27. China, UK formally ratify 12/84 agreement on Hong Kong.

MAY 28. China announces major educational reform, including mandatory secondary-school education, increase in merit scholarships, improvement in teacher training.

JUNE 18. China, stressing need to emphasize younger leadership, announces replacement of 9 senior government ministers by younger men.

JULY 3. Rev. Ignatius Kung, recognized by Vatican as Bishop of Shanghai, is released after nearly 30 years in Chinese jail.

JULY 10. USSR, China sign agreement doubling future bilateral trade to $14 billion from 1986–90.

JULY 23. President Ronald Reagan meets at White House with Chinese President Li Xiannian, announces signing of pact allowing sale of American nuclear reactors and nonmilitary technology to China.

SEPT. 16. Chinese Communist Party announces retirement of 10 of 24 Politburo members, 64 of 340 Central Committee members, in most extensive shuffle since 1949; names younger replacements intended to rejuvenate party 9/22–9/24.

SEPT. 18–22. Chinese Communist Party approves economic blueprint for 1986–90 that firmly adheres to market-oriented economic policies of Chinese leader Deng Xiaoping.

OCT. 13–18. Vice President George Bush visits China, announces US agreement to speed export of some high-technology products to China; Taiwan issue is raised by Chinese leaders as obstacle to Sino-US relations.

NOV. 23. Former CIA analyst, Larry Wu-Tai Chin, is arrested on espionage charges, accused of giving Chinese many highly classified reports on Far East over last 20 years.

DEC. 22. Students march in Beijing to protest testing of nuclear weapons in atmosphere.

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LATIN AMERICA

Mexico, Central America and the Caribbean

JAN. 7. Senate Select Committee on Intelligence issues report charging CIA has inadequately supervised covert operations against Nicaragua.

JAN. 18. US, citing "politicization" of World Court, says it will not participate in Court hearing of Nicaraguan case against US.

— Honduras, reportedly insisting on additional US aid, rejects proposed US-Honduran security pact.

JAN. 23. Iran Prime Minister Mir Hossein Musavi-Khamenei visits Nicaragua; President Ronald Reagan denounces visit 1/24; White House says 1/25 Iran is aiding Nicaraguan military buildup.

JAN. 25. Dominican Republic, conforming to International Monetary Fund conditions, devalues peso by 67%, increases fuel and food prices by 34%; 2 persons die in violent protests against new measures 2/4; government relents, reduces prices 2/12.

JAN. 26-FEB. 5. Pope John Paul II makes trip to Latin America, including Venezuela, Ecuador, Peru and Trinidad; denounces populist "liberation theology."

JAN. 30. Cuban President Fidel Castro, in interview, suggests several possible areas of improved US-Cuban ties, including fishing rights, hijacking prevention, and radio frequency cooperation; US welcomes tone of Castro remarks 2/4, but underscores continuing US-Cuban disputes on Central American violence, Cuban-Soviet ties.

FEB. 7. US drug enforcement agent Enrique Camarena Salazar and pilot are kidnapped in Guadalajara, Mexico; US accuses Mexican government of inaction in case, orders massive manhunt at border 2/15; Mexico denounces US action as unjustified 2/18; Camarena and pilot found murdered 3/6; Mexico announces arrest of 13 persons, including 3 police officials, in connection with murders 3/14.

FEB. 8. Nicaraguan leaders announce new austerity measures, blames economic crisis on US pressure, US-sponsored rebel attacks.

FEB. 12. Costa Rica says it will boycott planned 2/14–2/15 meeting of Contadora group nations due to standoff with Nicaragua over Nicaraguan fugitive seeking asylum at Costa Rican embassy in Managua; El Salvador, Honduras join Costa Rica 2/13; meeting is canceled; Nicaragua relents, frees fugitive 3/2.

FEB. 21. Reagan, in news conference, denounces Nicaraguan regime, says Administration hopes to remove Sandinista government "in its present form."

— Acting under 12/84 immigration agreement, US begins return to Cuba of 2,746 criminals and mental patients who entered US during 1980 Mariel boatlift.

FEB. 27. Nicaragua, in attempt to reduce regional tensions, says it will halt weapons purchases, send home 100 Cuban advisers; Vice President George Bush dismisses change as insignificant 2/28.

MAR. 2. Secretary of State George P. Shultz and Nicaraguan President Daniel Ortega Saavedra meet at inauguration of Uruguayan President Julio María Sanguinetti in Montevideo; Shultz says no new agreements are reached; Ortega says Shultz rejected Nicaraguan peace proposals.

MAR. 5. Americas Watch human rights group issues report accusing US-supported Nicaraguan rebels of atrocities; Secretary of State Shultz discounts report 3/7.

MAR. 11. Prime Minister Tom Adams of Barbados suffers fatal heart attack; Deputy Prime Minister Bernard St. John is sworn in to replace him.

MAR. 21. Nicaragua reportedly withdraws application for Inter-American Development Bank loan after US pressures bank administration to deny funds.

MAR. 29. Mexico, international banks sign agreement on rescheduling of $28.6 billion in foreign debt; final part of agreement covering additional $20.1 billion owed by 1990 is signed 8/29.

— Honduran National Congress votes to replace 5 members of 9-man Supreme Court, swears in replacements; President Roberto Suazo Córdova declares move illegal, orders military to protect Supreme Court; Suazo's congressional opponents back down 3/30.

MAR. 31. Christian Democratic Party, led by President José Napoleón Duarte,

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wins 33 seats in elections for 60-member Salvadoran National Assembly, dealing unexpectedly large defeat to rightist parties.

APR. 4. Reagan proposes plan tying aid for Nicaraguan rebels to cease-fire talks mediated by Catholic church; Nicaragua rejects plan 4/4.

APR. 9. Guatemalan leader Gen. Oscar Mejía Victores announces strict new austerity program; measures spark widespread protests, panic buying; Mejía Victores cancels trip abroad, retracts measures 4/12 in face of rumored coup preparations.

APR. 19. Nicaragua says Honduran warplanes attacked 2 Nicaraguan coast guard ships in Nicaraguan waters, sinking one ship and killing one seaman; Honduras, claiming incident took place in Honduran waters, accuses Nicaraguan vessels of attacking Honduran fishing boat.

APR. 22. Costa Rica, international creditors announce agreement on rescheduling of $190 million in foreign debt.

APR. 23. US, Mexico sign trade agreement promising protection from trade penalties, end to export subsidies.

APR. 24. US House of Representatives rejects any further aid to anti-Sandinista Nicaraguan rebel forces despite strong pressure from White House.

APR. 28. Nicaraguan President Ortega visits Moscow; signs Soviet-Nicaraguan cooperation pact 4/29; US Senate passes resolution denouncing visit 4/29.

MAY 1. White House, terming Nicaraguan policies "extraordinary threat" to US, imposes trade embargo against Nicaragua, bans Nicaraguan air, sea carriers from US effective 5/7; Nicaragua denounces move as illegal 5/1.

MAY 6. US says it is sending military advisers to Costa Rica to train civil guardsmen.

MAY 9. Nicaragua suspends military draft.

MAY 15. Honduras, in wake of increasing border tensions with Nicaragua, orders anti-Sandinista Nicaraguan rebels to abandon 3 major camps on Honduran territory.

MAY 20. US begins Radio Martí broadcasts to bring American news programs to Cuban audiences; Cuban government begins jamming of Radio Martí frequencies 5/21.

JUNE 6. Senate approves $38 million in nonmilitary aid to Nicaraguan rebel forces; House approves $27 million in nonmilitary assistance 6/12; Nicaragua denounces vote, says it will end voluntary moratorium on arms acquisitions 6/13; Reagan signs foreign aid bill, authorizing $27 million for rebels, into law 8/8.

JUNE 27. House of Representatives votes to bar use of US combat troops in Nicaragua without prior congressional approval.

JULY 1–2. Panamanian workers stage general strike protesting proposed measures cutting labor benefits.

JULY 1–4. Thirteen Caribbean Community and Common Market nation leaders gather for annual summit in Bridgetown, Barbados.

JULY 3. Prime Minister Eugenia Charles of Dominica is sworn in for second 5-year term after 7/1 reelection.

JULY 7. Mexico's governing Institutional Revolutionary Party wins all 7 governorships at stake, 295 of 300 seats in Chamber of Deputies and most local and state offices in nationwide mid-term elections.

JULY 8-AUG. 2. Nicaraguan Foreign Minister Rev. Miguel d'Escoto Brockman takes leave of absence from post, undertakes hunger strike to protest US policies toward Nicaragua.

JULY 24. In effort to offset decreasing revenues from falling oil prices, Mexican government announces 20% devaluation of controlled peso rate and a $410 billion-cut in 1985 budget.

AUG. 8. Reagan Administration admits, after publication of *New York Times* article, that rebels fighting Nicaraguan government had been receiving advice from US National Security Council officials.

AUG. 28. Mexico announces it will send an ambassador to El Salvador, restoring diplomatic relations for first time in 5 years.

SEPT. 12. Americas Watch human rights group issues eighth report on violations in El Salvador condemning both the Salvadoran government and leftist guerrillas for violating laws of war by attacking civilians.

SEPT. 12–13. Foreign ministers of Contadora group nations, meeting in Panama City, present new peace plan to foreign ministers of 5 Central American nations; give Costa Rica, El Salvador, Guatemala, Nicaragua and Honduras until 11/20 to

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analyze and endorse act; Nicaragua, citing plan's failure to prohibit US military activity in region, rejects proposal 11/11.

SEPT. 12–20. World Court holds hearings on Nicaraguan complaint that US participated in military operations against Nicaragua; written testimony of former contra leader Edgar Chamorro is introduced contending that rebel strategy consisted of terror campaign against civilian population, carried out with the knowledge and encouragement of CIA.

SEPT. 19. More than 4,000 persons are killed as earthquake registering 8.1 on Richter scale hits southwestern Mexico destroying parts of Mexico City and 3 central states; second smaller quakes shakes region 9/20 causing further damage.

SEPT. 23. Cuba signs agreement with 110 foreign commercial banks to reschedule $90 million debt over next 10 years.

SEPT. 28. Panamanian President Nicolás Ardito Barletta resigns under pressure; Vice President Eric Arturo del Valle is sworn in as successor.

SEPT. 29. Roberto D'Aubuisson steps down as head of Salvador's militant, rightist National Republican Alliance.

OCT. 1. Mexico's 13-bank advisory committee recommends 6-month postponement of $950 million debt payment due in 2 installments on 10/1 and 11/4 in light of devastating 9/19 earthquake.

OCT. 8. President Reagan signs proclamation restricting entry into US of Cuban government and Communist Party officials unless visit is exclusively to conduct official business in Washington, New York City, or at UN.

OCT. 15. Nicaraguan President Ortega declares state of emergency, suspending civil rights for one year, says "brutal aggression by North America and its internal allies has created an extraordinary situation"; action suspends free expression, public assembly, privacy of mail and home, and right to strike.

OCT. 17. Uruguay announces it is restoring diplomatic relations with Cuba.

NOV. 4. Reagan Administration says there has been a "serious increase" in Soviet arms shipments to Nicaragua.

NOV. 12. European Community member-states, plus Spain and Portugal, meeting in Luxembourg, sign 5-year economic cooperation pact with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

NOV. 25. Amid confusion over new election law, leader of ruling Liberal Party, José Azcona Hoya, emerges winner in 11/24 Honduran presidential elections.

DEC. 8. Christian Democratic Party leader, Marco Vinicio Cerezo Arévalo, is elected Guatemala's first civilian president in 15 years, gaining 68% of valid votes in runoff, after 11/3 election failed to indicate clear winner.

SOUTH AMERICA

JAN. 15. Opposition Democratic Alliance leader Tancredo de Almeida Neves defeats Social Democratic candidate Paulo Salim Maluf in electoral college vote, becoming Brazil's first civilian president in more than 20 years.

JAN. 22. Report issued by Amnesty International human rights organization charges Peruvian government with systematic torture, killings in operations against Shining Path guerrillas.

JAN. 26-FEB. 5. Pope John Paul II makes trip to Latin America, including Venezuela, Ecuador, Peru and Trinidad; denounces populist "liberation theology."

FEB. 7. US, citing human rights violations by government of Gen. Augusto Pinochet Ugarte, abstains from vote on Inter-American Development Bank loan to Chile.

FEB. 9. Bolivia adopts broad anti-inflation program, including devaluation of peso by 81%, price increases.

FEB. 14. International Monetary Fund cuts off lending to Brazil pending implementation of overdue austerity measures.

FEB. 17–18. Peruvian army reportedly kills 70 rebels, wounds 30 in surprise attacks on 3 Shining Path guerrilla bases.

FEB. 21. Former Argentine President Isabel Perón, in exile in Spain, resigns as head of Argentine Peronist party.

MAR. 1. Colorado Party leader Julio María Sanguinetti is sworn in as first elected Uruguayan president since 1973, legalizes banned political parties; ends censorship of foreign press 3/4.

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MAR. 3. Major earthquake hits Chile, killing at least 124 people and injuring estimated 2,000 others.

MAR. 8. Bolivian labor unions begin strike to protest government austerity measures; government calls in army to quell worker violence 3/20; strike ends 3/24.

MAR. 10–14. Uruguayan government frees estimated 270 political prisoners in amnesty program.

MAR. 15. Brazilian President-elect Neves is unable to attend inauguration after intestinal surgery 3/14; Vice President José Sarney is sworn in as acting president.

MAR. 29. Three Chilean leftist leaders are abducted by armed men, found murdered outside Santiago 3/30; security forces break up demonstrations protesting deaths 3/31–4/2; government 4/3 blames Soviet agents for deaths.

APR. 14. American Popular Revolutionary Alliance candidate Alan García Pérez wins Peruvian presidential election with 46% of vote; second-place finisher United Left candidate Alfonso Barrantes Lingán concedes loss, withdraws 4/25 from scheduled runoff vote; García is declared president-elect 6/1.

APR. 21. Brazilian President-elect Neves dies; Vice President Sarney succeeds him.

APR. 22. Trial of 9 former Argentine military leaders charged with torture, murder of leftists during 1970s begins in Buenos Aires; 2 defendants, including former President Gen. Jorge Rafael Videla, are found guilty 12/9 of murder and torture, are sentenced to life imprisonment; 3 of the accused, including former President Gen. Roberto Eduardo Viola, are found guilty of torture and robbery, given prison terms of up to 17 years; former President Leopoldo Galtieri, 3 others are acquitted.

MAY 2. Chile, Argentina sign pact ending dispute over Beagle Channel.

MAY 6. Chilean government announces additional 90-day extension of state of siege first declared 11/6/84.

MAY 7. Chile announces agreement with foreign banks on rescheduling of $7.25 billion in debt.

MAY 8. Brazilian Congress unanimously approves constitutional amendment restoring direct presidential elections, elections for constituent assembly, universal suffrage.

MAY 17. Argentine government orders 120-day freeze on dollar-denominated accounts to avoid run on banks following major bank failure.

MAY 23. Major Argentine labor federation calls general strike to protest government economic policies.

JUNE 14. Argentine President Raúl Alfonsín announces sweeping new austerity program including introduction of new currency, wage and price controls, government spending cuts.

JUNE 21. Team of experts announces that skeleton exhumed in São Paulo, Brazil, has been positively identified as that of fugitive Nazi concentration camp doctor Josef Mengele.

JULY 4. Brazilian government announces $6.5 billion austerity plan aimed at reducing inflation rate of over 200%.

JULY 8. UK lifts ban on Argentine imports imposed during 1982 Falkland Islands/Malvinas war.

JULY 28. Alan García Pérez is sworn in as president of Peru, says government will limit foreign debt payments to percentage of nation's annual export earnings, not to exceed 10%.

AUG. 5. Revolutionary Nationalist Movement's Víctor Paz Estenssoro is elected president of Bolivia by nation's congress after 7/14 general election failed to produce 50% majority winner; is sworn in 8/6.

AUG. 6. Guyanese President Linden Forbes Sampson Burnham dies after throat surgery; Prime Minister Desmond Hoyte is sworn in as successor.

AUG. 26. Brazilian finance minister and Central Bank president resign after their calls for tighter inflation-fighting economic policies go unheeded by President Sarney.

AUG. 31. Bolivian government imposes severe austerity measures to control nation's reported 14,000% inflation rate; Bolivian Workers Central calls for 48-hour general strike beginning 9/4, extend stoppage to 9/9, decide 9/9 to continue strike indefinitely.

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SEPT. 4. Six Chileans die in anti-government demonstrations protesting police involvement in 3/30 killing of 3 communist leaders.

SEPT. 19. Bolivian government declares state of siege, arrests labor leaders refusing to end 16-day strike protesting wage freezes; Bolivian Workers Central, government reach accord 10/2 ending strike, allowing release of detained union members.

OCT. 25. Argentine President Alfonsín imposes 60-day state of siege on nation in effort to combat violence attributed to right-wing terrorism; lifts decree 12/9, after 45 days.

NOV. 3. Alfonsín's Radical Civic Union wins 42 percent of vote in Argentina's mid-term congressional elections.

NOV. 5–6. Four persons are slain, more than 750 arrested as Chileans demonstrate to demand release of 6 persons jailed for organizing 9/4 anti-government demonstrations.

NOV. 6. More than 2 dozen leftist guerrillas from April 19 Movement shoot their way into Palace of Justice in Bogotá, Colombia, taking more than 300 persons hostage: estimated 100 persons are killed as government troops, police storm building and rescue hostages 11/7.

NOV. 13. Nevado del Ruiz volcano erupts in northern Colombia setting off mud avalanches and flooding that destroys 14 towns, kills estimated 25,000 persons.

DEC. 2–5. Fifteenth General Assembly of the Organization of American States is held in Cartegena, Colombia; OAS charter is revised to allow secretary-general wider powers.

DEC. 11. Guyanese Prime Minister Hoyte, denying accusations of election irregularities, claims victory in 12/9 nationwide parliamentary elections; is sworn in as president 12/12.

DEC. 16–17. Foreign and finance ministers of 11-nation Cartagena Group, meeting in Montevideo, Uruguay, propose new loans and reduction of interest rates as means to cut third world debt; say Baker plan is good step but not sufficient; Brazil, Mexico, Argentina, Venezuela and Colombia announce they will act as a bloc in lobbying foreign governments, banks to accept proposals.

AFRICA

JAN. 3. Israel acknowledges it has conducted clandestine airlift of Ethiopian Jews to Israel for more than 5 years after press reports reveal airlift's existence 1/2; Ethiopia denounces evacuation 1/4; Israel halts airlift 1/5.

— President Ronald Reagan proposes $411 million in new relief for victims of African famine that would bring total US Fiscal Year 1984–1985 famine aid to the region to $1 billion.

JAN. 13. Militant black South Africans threaten to disrupt speech by US Senator Edward Kennedy (D-Mass.) in Soweto township near Johannesburg forcing him to cancel event.

— Ethiopia impounds Australian food shipment en route to famine victims in rebel-held areas of country; Australia lodges formal protest 1/14; Ethiopia accuses Australia of impinging on Ethiopian sovereignty 1/16.

JAN. 16. Reagan Administration says it will seek $1 million in nonlethal military aid for Mozambique in effort to weaken Mozambique's ties to USSR; Senate passes foreign aid bill 7/30, House approves bill 7/31, that includes provision barring military aid to Mozambique unless Reagan can certify human rights progress, reduction of foreign military advisers in Mozambique to 55; Reagan signs bill into law 8/8.

JAN. 20. Sudanese President Jafar al-Numeiri reiterates enmity toward Israel, but says he will allow Ethiopian Jews to leave Sudan for countries other than Israel.

JAN. 31. South African government offers to free imprisoned African National Congress (ANC) guerrilla leader Nelson Mandela if he will renounce violence; Mandela, in statement read by his daughter Zinzi to crowd of black supporters in Soweto 2/10, rejects offer.

FEB. 1. South African government says it is suspending forced relocations of blacks from white urban areas; announces parliamentary panel 2/7 to consider lifting ban on interracial sex, marriage.

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FEB. 18–21. South African police fire at crowds of black protesters outside Cape Town, killing at least 18 persons and wounding an estimated 200 others; security forces arrest 13 top leaders of United Democratic Front multiracial opposition group 2/19, charging 6 with high treason.

MAR. 14. National Union for Total Independence of Angola (UNITA) guerrillas free 27 foreign workers, including 2 Americans, captured during 12/29/84 attack on Angolan diamond mining town of Kafunfo.

MAR. 21. Police in Uitenhage, South Africa, open fire on black demonstrators during funeral procession, killing 19; at least 7 alleged government collaborators are killed as violence spreads in black townships 3/23–3/24.

MAR. 26–28. Riots erupt in Sudan as crowds protest food price increases.

MAR. 29. *South African government announces 3-month ban on all public meetings* by United Democratic Front, other opposition groups.

APR. 1. Liberian head of state Gen. Samuel K. Doe escapes assassination attempt; deputy commander of presidential guard is arrested as leader of attack 4/4; confesses, accusing opposition politicians, US special security adviser in plot; is executed 4/8.

APR. 3. Liberian court sentences former US marine to 10-year jail term for alleged participation in 10/84 coup plot against Gen. Doe.

APR. 6. Government of Sudanese President Numeiri is overthrown in coup led by Defense Minister Gen. Abd al-Rahman Siwar al-Dhahab and other military officers; new leaders declare state of emergency, martial law, free political prisoners.

APR. 15. Nigerian government orders estimated 700,000 foreign workers to leave country by 5/10/85 if they have not gained residency permits by that date; workers leaving country are subjected to lengthy searches, harsh security measures; violence erupts at holding camp 5/12–5/14.

— South African government says it will repeal legislation banning interracial sex, marriage.

APR. 18. South African President P. W. Botha announces unilateral plan for limited self-government in Namibia under multiparty coalition excluding South West Africa People's Organization (SWAPO) rebel group.

APR. 23. South African police arrest 3 leading members of United Democratic Front opposition group.

APR. 24. New Sudanese government announces resumption of full diplomatic relations with Libya.

APR. 24–25. Officials from 80 Asian and African countries hold meeting in Bandung, Indonesia, to mark 30th anniversary of Asia-Africa Conference, Nonaligned Movement.

MAY 22. Angola says it has killed 2 South African commandos, captured one other, as they attempted raid against oil facilities in Cabinda province.

JUNE 11. Senate votes to repeal 1976 Clark Amendment, which prevented US from aiding anti-Marxist rebels in Angola; House votes repeal 7/10; Angola suspends talks with Reagan Administration in protest 7/13; Reagan signs foreign aid bill authorizing repeal 8/8.

JUNE 14. South African military mission attacks alleged ANC guerrilla bases in Gaborone, Botswana; 14 persons are killed.

JULY 1–4. In first national elections since Zimbabwe's 1980 independence, Prime Minister Robert Mugabe's African National Union wins 63 of 80 seats reserved for blacks in 100-member parliament after Ian D. Smith's Conservative Alliance had won 15 of 20 white seats in separate polling for whites 6/27.

JULY 4–5. Government troops thwart attempt by former Guinea Prime Minister Diarra Traore to seize power from President Lansana Conté during president's trip to Togo for conference of Economic Community of West African States.

JULY 5. UN Food and Agriculture Organization announces end to crisis in 8 of 21 nations facing exceptional food supply problem in 1984–1985; says emergency remains acute in Chad, Ethiopia, Mali, Niger and Sudan.

JULY 8. Sudan is reported to have agreed to accept military aid from Libya; Reagan Administration expresses "grave concern," issues sharp warning to Sudanese leadership 7/9.

JULY 18. Liberia severs diplomatic ties with Soviet Union in wake of 7/17 arrest of 14 Liberian students accused of giving military secrets to Soviet diplomats in Monrovia.

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JULY 20. South Africa imposes state of emergency, effective 7/21, in eastern Cape region and Johannesburg area following deaths of nearly 500 persons since 9/84 in black township unrest; action, first of its kind in 25 years, grants police and army sweeping powers in affected areas, including right to detain people incommunicado and to search buildings at will.

JULY 26. UN Security Council, with US and UK abstaining, passes French-sponsored resolution urging governments to suspend new investments in South Africa and calling on Pretoria to repeal emergency decree and release all political prisoners and detainees.

JULY 27. Ugandan President Milton Obote is overthrown in bloodless military coup, flees country as military council assumes power; military 7/28 announces suspension of constitution, closing of borders, holding of free elections; Lt. Gen. Tito Okello is sworn in as interim head of state 7/29.

JULY 30. South Africa, offering no details, announces recall of ambassador-designate from Washington.

JULY 31. Botha government announces ban on outdoor funeral services in areas affected by South Africa's 11-day-old emergency decree.

AUG. 1. Ten European Community member-nations, plus Spain and Portugal, agree to recall their ambassadors from Pretoria for "consultations" in protest against state of emergency.

AUG. 5. Sixteen leaders of United Democratic Front go on trial for treason in South Africa; 12 are acquitted 12/9 after expert witness admits to not knowing differences among various political groups and to making mistakes in testimony.

AUG. 6–9. Violence erupts in black townships near Durban, South Africa, as Zulu youths attack Indian homes, shops in area not affected by state of emergency.

AUG. 8–19. Pope John Paul II visits Togo, Ivory Coast, Cameroon, Central African Republic, Zaire, Kenya and Morocco in third African tour since assuming papacy in 1978.

AUG. 10. Uganda's new military regime frees more than 1,000 political prisoners, announces nation's main rebel group had agreed to peace talks.

— Rev. Allan Boesak, President of World Alliance of Reform Churches, is arrested along with 18 others after defying police order against attending funeral in black township near Cape Town, South Africa.

AUG. 13. Home and clinic of Winnie Mandela, wife of imprisoned ANC leader Nelson Mandela, are destroyed by firebombings in Orange Free State town of Brandfort; Mrs. Mandela, who was away at time of fires, blames government security forces for attack.

AUG. 15. President Botha, in speech before Natal Provincial Congress of National Party in Durban, rejects foreign and domestic calls for major concessions to South Africa's black majority, also says he will not soften terms for release of Nelson Mandela.

AUG. 19. Bishop Desmond M. Tutu, in response to 8/15 Botha speech, boycotts meeting between leaders of South Africa's major churches and President Botha; US indirectly criticizes Tutu for boycott.

AUG. 24. Reagan, in telephone interview with Atlanta radio station broadcast 8/26, characterizes Botha regime as "reformist administration" that has eliminated some forms of racial segregation in South Africa; apologizes 9/6 for giving wrong impression.

AUG. 27. Chief-of-staff of Nigeria's army, Maj.-Gen. Ibrahim Babangida, overthrows 20-month-old government of Maj.-Gen. Mohammed Buhari in bloodless coup.

— South African government suspends trading on stock and currency markets for one week as rand plunges to lowest level ever.

— Rev. Boesak is detained on day prior to march he was to have led in Cape Town, South Africa; 16 marchers are killed when rioting breaks out as security forces try to stop 8/28 demonstration; US State Department condemns government use of force.

AUG. 28. Botha regime announces outlawing of Congress of South African Students, nation's largest black student organization.

AUG. 30. State Department says US has urged Pretoria to allow outlawed ANC to take part in discussions between government and black leaders on South Africa's future.

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SEPT. 1. South Africa declares 4-month freeze on all foreign loan principal repayments in response to increasing financial pressures caused by refusal of some foreign banks to renew credit.

SEPT. 4. *The Wall Street Journal* reports that Chase Manhattan Bank's 7/31 suspension of credit to South Africa prompted other foreign creditors to follow suit, setting off financial crisis in South Africa.

SEPT. 4–9. Ministers of Nonaligned Movement nations meet in Luanda, Angola, unanimously call for economic sanctions against South Africa.

SEPT. 9. Reagan orders limited trade, financial sanctions against South Africa including bar on most loans to Pretoria, possible ban on importation of Krugerrand; action prompts Senate to postpone consideration of sanctions bill passed 8/1 by House of Representatives.

SEPT. 10. Eleven West European nations agree to impose trade, cultural and military sanctions against South Africa; UK declines to participate, then decides to join others 9/25.

SEPT. 11. President Botha says government is ready to discuss restoration of South African citizenship to over 8 million blacks in nation's homelands; government-sponsored panel 9/12 recommends abolition of pass laws.

SEPT. 13. White South African businessmen and newspaper editors hold talks in Zambia with leaders of ANC.

SEPT. 16. South African forces cross into Angola in preemptive strike against SWAPO guerrillas; US condemns raid 9/17; South Africa withdraws forces 9/22.

SEPT. 19. Pretoria acknowledges that its forces violated 3/84 Nkomati nonaggression pact with neighboring Mozambique; Reagan expresses "distress" to Samora Machel during Mozambican president's first visit to White House.

SEPT. 25. In first judicial acknowledgment of police brutality in South Africa, judge orders Port Elizabeth police to refrain from assaulting detainees held under country's state of emergency decree.

SEPT. 26. Tunisia breaks off diplomatic relations with Libya amid rising border tensions after Libya's deportion of more than 25,000 Tunisian workers 8/5–9/5.

SEPT. 29. Ninety-one leading South African businessmen call for abolition of apartheid and negotiations with "acknowledged black leaders" on power sharing.

OCT. 11–12. Four white legislators, members of South Africa's opposition Progressive Federal Party, meet with leaders of outlawed ANC in Lusaka, Zambia; issue joint statement urging end to apartheid and establishment of nonracial democratic society.

OCT. 18. Rioting erupts in Johannesburg after black ANC supporter and poet, Benjamin Moloise, is hanged for murder of black policeman in late 1982.

OCT. 23. Morocco's Prime Minister Mohamed Karim Lamrani, in address before UN General Assembly, declares unilateral cease-fire in nation's 10-year war with Western Sahara.

OCT. 25. After lifing emergency restrictions in 6 areas 10/24, Pretoria extends state of emergency to include Cape Town, 7 other areas affected by 2 months of rioting; government lifts decree in 8 districts lying on fringe of areas of major unrest 12/3.

OCT. 29. In Liberia's first multiparty election, nation's military ruler, Gen. Doe, is declared victor with 50.9% of vote in 10/15 presidential contest.

NOV. 2. Botha government announces restrictions on television, radio and newspaper photo coverage of unrest, including boycotts and strikes, in areas of South Africa covered by emergency decree.

NOV. 5. Julius K. Nyerere, President of Tanzania since 1961, steps down voluntarily; turns over office to hand-picked successor, Ali Hassan Mwinyi, winner of 10/27 national election; Mwinyi is sworn in 11/5.

NOV. 22. South African officials reveal that 13 persons were killed 11/21 in clashes in black township of Mamelodi.

DEC. 6. World Council of Churches ends emergency meeting on South Africa adopting resolution calling for increased church pressure and mandatory economic sanctions against Pretoria.

DEC. 15. Land mine explodes near Messina, South Africa, along Zimbabwe border, killing 6 whites; explosion brings to 7 the total number of border explosions since late November; ANC takes responsibility.

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DEC. 17. Uganda's military government, rebel leaders sign peace accord in Nairobi, Kenya.

DEC. 19. South African troops mount raid into Angola for third time since May, killing 6 Namibian guerrillas.

DEC. 20. Nine South African refugees are killed as raiders from South Africa attack 2 homes in neighboring Maseru, Lesotho; South African military, police deny role.

— State Department reveals USSR had provided Libya with long-range SA-5 ground-to-air missiles.

DEC. 21. Botha government eases 8-year-old order banishing Winnie Mandela to black township of Brandfort, imposes new restrictions forbidding her to enter Soweto township and Johannesburg area; police arrest Mandela 12/22 at her Soweto home, release her 12/23; State Department lodges protest over arrest 12/23; police rearrest Mandela 12/30 as she is driving from Johannesburg to Soweto, release her on bail 12/31.

DEC. 23. In the third attack against whites in South Africa in 8 days, 6 persons are killed when bomb explodes in shopping mall in resort town of Amanzimtoti.

DEC. 25. More than 53 persons are killed as over 5,000 Zulu and Pondo tribe members clash in Umbumbulu, South Africa, just south of Durban.

— Fighting breaks out between Mali and Burkina Faso (formerly called Upper Volta) over 25-year-old border dispute.

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